BULGARIAN LABOUR MARKET NEEDS AS KEY TO REFUGEE EMPLOYMENT

CATRO BULGARIA | 2018

EXECUTIVE SUMMARY

The current study presents an analysis of the current and future economic and labour market trends in Bulgaria in order to outline the potential opportunities for more effective and sustainable employment of refugees in the country. The research has been implemented in two phases – desk research of the most relevant reports, strategies, statistical data and research papers about the socio-economic, demographic and labour market situation, as well as an overview of the current demographic, educational and employment development trends of the asylum seekers and beneficiaries of international protection in Bulgaria. The second phase focused on collecting and analysing qualitative information by relevant stakeholders such as governmental institutions, employers' associations, trade unions, economic and labour market research institutes on the one hand, and a sample of medium-sized and large companies on the other hand, which represent some of the fastest developing economic sectors and cover 5 out of 6 geographic regions and economic hubs in Bulgaria.

The main highlights of the analysis focus on the overall skills shortage and skills mismatch on the Bulgarian labour market across all economic sectors and geographic regions which already imply an obstacle for the further growth of the business in Bulgaria and might prevent some future investments. Against this background, potential opportunities for refugee employment have been elaborated, and concrete measures and recommendations have been proposed aiming to support both refugees and employers in their efforts for sustainable employment which is beneficial for the further growth of the business and for the successful integration of beneficiaries of international protection in Bulgaria.

Some of the main findings and recommendations of the study are that refugees and migrants will have to upgrade their skills and qualification, as well as their knowledge of Bulgarian language in order to meet the requirements of the employers. In the meantime, there is a readiness and willingness on the part of the employers to support the refugees in this learning process, provided they are motivated to invest efforts and commit to the company's goals and mission.

Regarding the current profiles of the refugees in Bulgaria, and the forecasts about the leading economic sectors in the next decade, the most appropriate job opportunities for refugees will be in the processing industry, the food and accommodation, the transport and construction sectors, as well as in the agricultural sector in various geographical and economic regions in Bulgaria.

ON THE AUTHOR OF THIS REPORT

The report has been elaborated by the experts' team of CATRO Bulgaria – an Austrian HR consultancy company with a strong background in conducting research and implementing training programmes for career counselling and career development for individual and corporate clients. The organisation has a solid record of socially responsible projects, aiming at providing psychological support, career counselling and coaching services to different groups of people from disadvantaged background, such as refugees, asylum seekers, people with acquired disabilities, childhood cancer survivors, NEETs (people who are Not in Education, Employment and Training), women – victims of domestic violence and others. In the last 2 years, CATRO has developed a strong partnership with UNHCR Bulgaria and all important stakeholders working for the more effective and sustainable refugee integration of refugees in Bulgaria, through the implementation of two projects focusing on awareness raising among and support of employers to exploit the potential of refugees as valuable workforce in times of dynamic economic growth. In its role as an intermediary in building a bridge between the business needs of the employers and the basic human needs for safety and security, dignified treatment, and self-reliance of refugees, the CATRO team has been recognized by UNHCR as a trusted partner for implementing this report serving the needs of all interested parties.

The CATRO team consists of psychologists, economy, political science and human resource experts who are all led by the mission to provide value for the people and the organisations they are working for by unfolding their potential through customized measures like training, counselling, coaching and mentoring.

Herewith CATRO expresses its gratitude for the support provided by UNHCR, and the willingness of all involved and interviewed stakeholders and employers to contribute with their perspective to the results and recommendations of this study.

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CATRO

UNHCR
The UN Refugee Agency

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LIST OF ABBREVIATIONS

BGN - Bulgarian lev
BPO - Business process outsourcing
CEDEFOP - European Centre for the Development of Vocational Training
EU - European Union
GDP - Gross Domestic Product
GVA - Gross Value Added
HR - Human Resources
ICT - Information and communications technology
IME - Institute for Market Economics
ISCED - International Standard Classification of Education
MLSP - Ministry of Labour and Social Policy
NEETs - Not in Education, Employment, or Training
NGO - Non-governmental organisation
NSI - National Statistical Institute
NUTS - Nomenclature of Territorial Units for Statistics
R&D - Research and Development
SAR - State Agency for Refugees
SIA - Sofia Investment Agency
SMEs - Small and medium enterprises
TEZ - Trakia Economic Zone
UNHCR - United Nations High Commissioner for Refugees

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I. INTRODUCTION

The study aims at exploring the current and future trends on the Bulgarian labour market in the context of analysing the potential of successful refugee integration which will be beneficial for the refugees, the business, and the society as a whole. The report is building upon a previous study of the UNHCR, conducted by Stana Iliev about the "Private Sector Engagement in the Employment of Beneficiaries of International Protection" in 2017, which pointed out that employment of refugees is one of the most important tools for their social and economic inclusion and participation in society.[1] This fact is even more valid for people seeking international protection as for them the active involvement in the labour market will ensure economic independence and smoother integration in the society of the host country.

Whereas the first study has provided insightful information on the barriers which refugees face in accessing the labour market, their educational and professional background and interests, as well as the attitudes of employers, trade unions and employer associations towards refugee employment, the focus of the current study has been shifted towards a thorough sectoral, regional, and demographic analysis of the current labour market situation in Bulgaria. This will be the basis for exploring not only the barriers, but also the opportunities for refugee integration at different levels and in different sectors of the economy, taking into consideration the general challenges in the labour market such as the increasing skills shortage and the skills mismatches.

The study is divided in four main sections, analysing the current situation and refugee profiles in Bulgaria on the one hand, and the national, regional, and sectoral specifics of the labour market, on the other hand. In more detail, the study will examine the specific economic profiles of 6 NUTS[2] regions, bringing to light the developing and developed economic sectors, and such which have the potential to grow. Furthermore, it highlights the major investment projects – the so called "economic hubs" in Bulgaria which are one of the key drivers of the economic development in the last years.

Building on that, the authors draw conclusions and recommendations about the employment potential of refugees in the local economic context in Bulgaria and propose concrete measures in the medium and long run regarding the public, private and NGO sector involvement in the overall process of refugee integration in the society as a whole, and in the labour market, in particular.

1. Iliev, S., Where There is a Will, There Is a Way. Private Sector Engagement in the Employment of Beneficiaries of International Protection, April 2017, *https://www.unhcr.org/bg/wp-content/uploads/sites/18/2016/12/Employment-for-Refugees-FINAL-BG.pdf*

2. Nomenclature of Territorial Units for Statistics

II. METHODOLOGY

The aim of the current study is to explore the potential for refugee integration in the Bulgarian labour market, considering the current and future trends of the workforce development in Bulgaria and the requirements and attitudes of the business.

For the purpose of this report, the term 'refugees' will be used for the categories of asylum seekers and beneficiaries of international protection, the latter referring to both refugee and humanitarian status holders.

To achieve the aims of the study, a comprehensive and holistic approach has been applied in order to gather and analyse the most relevant qualitative and quantitative information available. The research has been implemented in 2 phases – desk research aiming at collecting and analysing the relevant available information and subsequent qualitative interviews with leading stakeholders and employers from the most dynamic developing sectors to elaborate and enrich the analysis and recommendations.

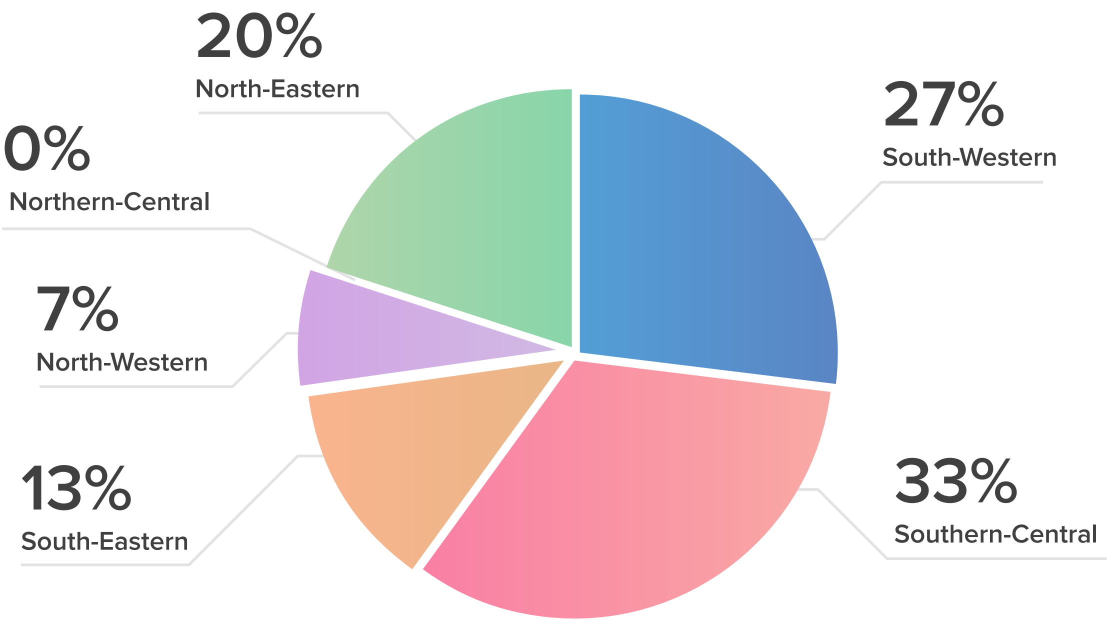
The thorough desk analysis in the first phase focused on exploring the research reports, forecasts, strategic documents, legislation and statistical data on national, regional (NUTS-2) and sectoral (economic hubs) development of the labour market in Bulgaria, as well as on the current profiles, educational and professional background of the refugees in the country as of October 2018.

In the second phase, the analysis of the gathered information has been enriched with qualitative information which was collected through semi-structured interviews with two main target groups:[3]

- **Relevant stakeholders** such as governmental institutions (ministries and agencies), the largest employers' associations, business organisations, a trade union, economic and labour market research institutes – in total 14; these interviews aimed at exploring deeper the challenges which were already identified and to brainstorm about the potential for refugee integration across the different sectors and regions in Bulgaria;
- **Employers –** in total 15 companies, which were selected as representatives of different subsectors of the most dynamically developing sector – manufacturing and processing industry, and also representatives of different geographic regions in Bulgaria. Their previous experience with hiring refugees was not a selection criterion, as the main aims of those interviews were first to raise awareness of the potential opportunity for employment of refugees in Bulgaria and to identify together the most appropriate positions and functions considering the current profile of the refugees in the country.

[3] The semi-structured interview forms are on file with the authors and are available upon request.

INTERVIEWEES' REGIONAL REPRESENTATION

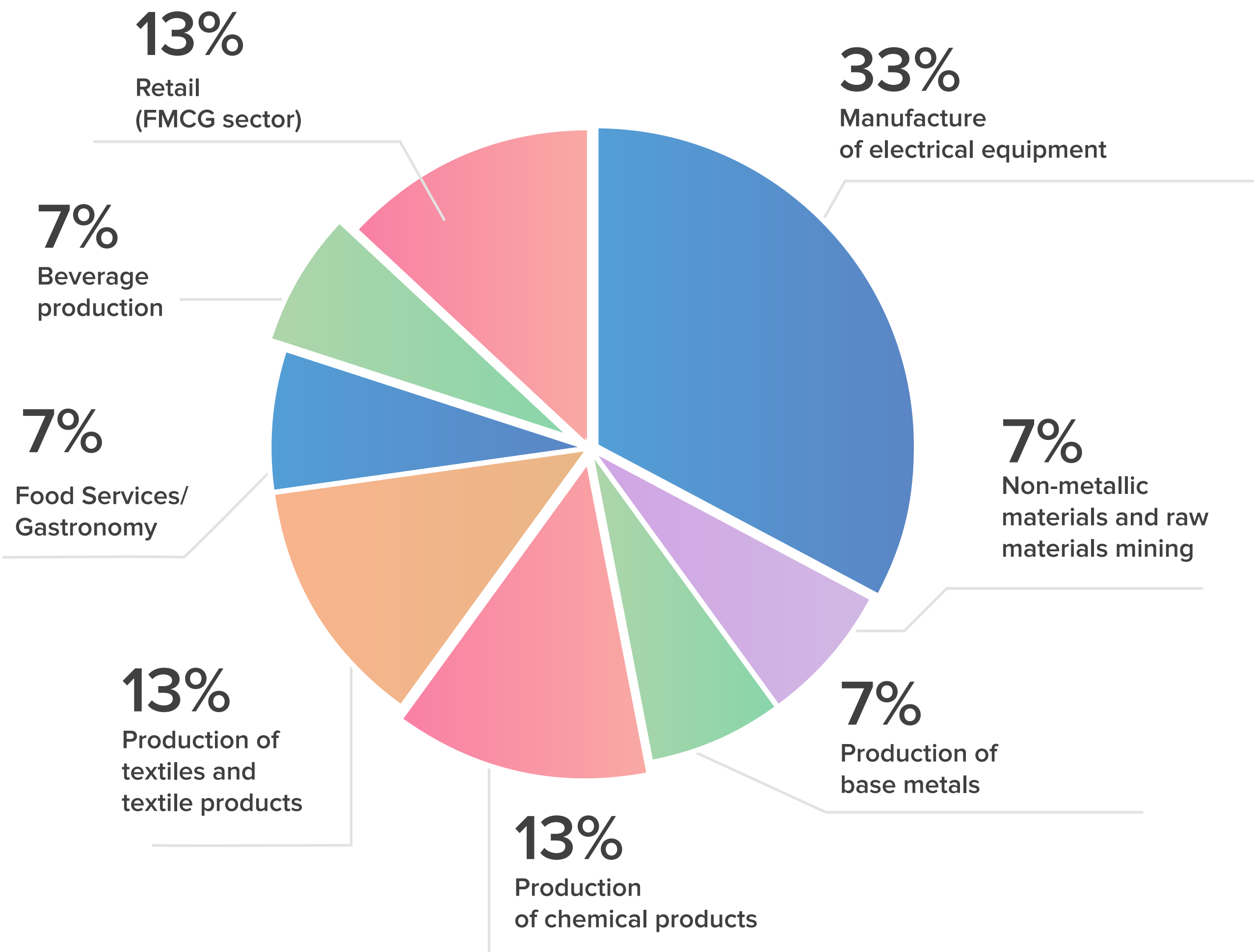


GRAPH 1: Interviewees' regional representation

Approximately 70% of the interviewed 15 employers are large companies, while 30% are medium sized companies, which are predominantly foreign investments with international management in Bulgaria. Following the holistic approach of the study, the findings of both stakeholders' and employers' interviews have been incorporated in the three main sections of the report – overall labour market analysis, regional specifics and emerging economic hubs, in order to have a comprehensive picture combining the theoretical and the empirical aspects.

Based on this thorough analysis, specific recommendations have been identified and proposed, targeting both the private and public sectors towards a more transparent and efficient communication and collaboration to enable the smooth integration and sustainable employment of refugees in the Bulgarian labour market.

INTERVIEWED COMPANIES PER ECONOMIC SECTOR



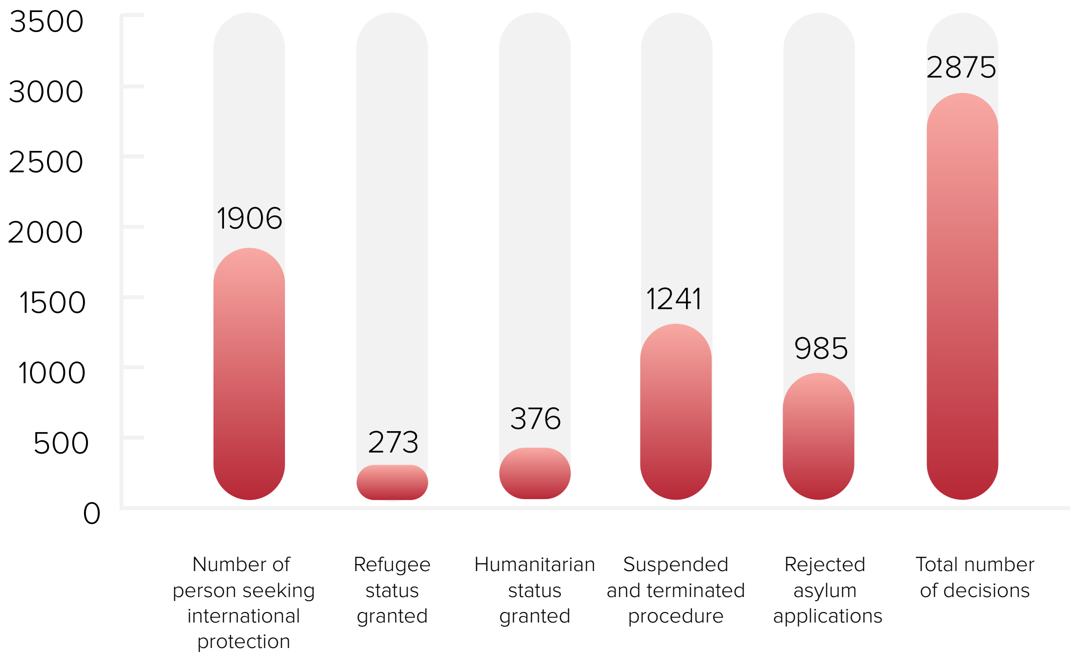
GRAPH 2: Interviewed companies per economic sector

III. CURRENT REFUGEE SITUATION IN BULGARIA

In order to identify the most appropriate employment opportunities for the refugees in Bulgaria, it is crucial to have a look at the current picture of the refugees' profile in Bulgaria. As it has been mentioned beforehand, the current report focuses on the two categories of international protection that can be granted as a result of the asylum procedure with the State Agency for Refugees (SAR): refugee or humanitarian status.

After the drastic increase in the number of persons seeking international protetion in the period 2013-2016, a downwards trend can be observed in 2017 and 2018. According to the most recent data of the SAR, the number of asylum applications since the beginning of 2018 is only 1906, compared to 20.000 both in 2015 and 2016. As graph 3 shows, the number of refugee and humanitarian statuses granted is significantly lower than the suspended and terminated procedures. One reason for the latter is the high rate of absconding of asylum seekers from the refugee status determination procedure.

INFORMATION ON DECISIONS ON ASYLUM APPLICATIONS TAKEN BY SAR FOR THE PERIOD 01/2018-10/2018

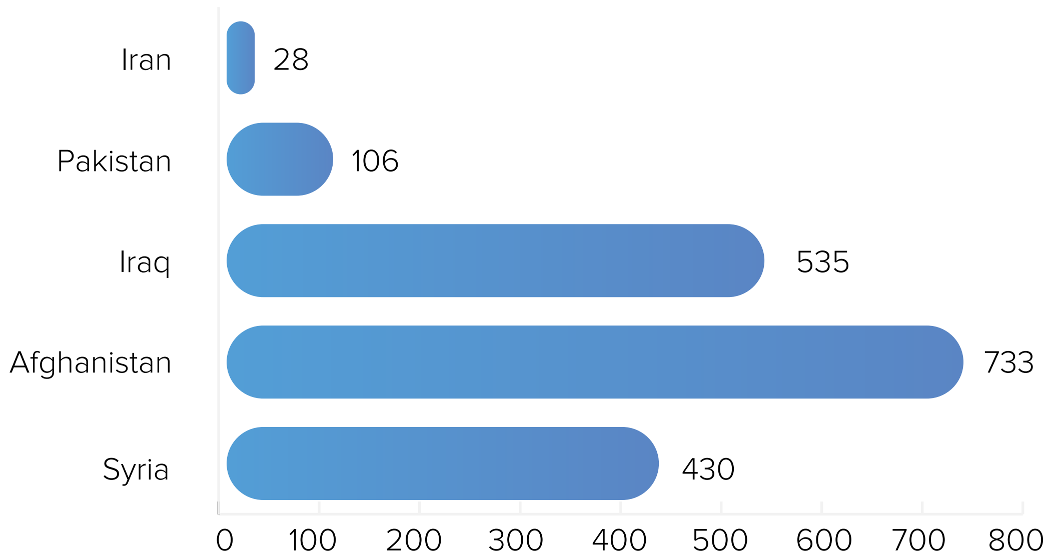


GRAPH 3: Information on decisions on asylum applications taken by SAR for the period 1/2018-10/2018

Bulgaria is still considered a transit country and only a relatively small number of the refugees (couple of hundreds) are willing to stay permanently and settle down in the country. Although this fact has been confirmed by all relevant studies about refugee integration in Bulgaria, the low number of people deciding to stay in the country should not discourage and/or prevent employers to consider them as a possible target group for employees especially at the backdrop of a dramatic skills shortage. Moreover, asylum seekers receive the right to participate in gainful employment activities three months after their asylum application, regardless of their future intentions. Often asylum seekers in employment may change their wish to continue their route to another European Member-State and decide to stay in Bulgaria alternatively.

However, in order to facilitate the process of integration, companies should be informed about the countries of origin, and the corresponding cultural, linguistic and religious specifics. The Top 5 countries of origin as per 2018 are as follows:

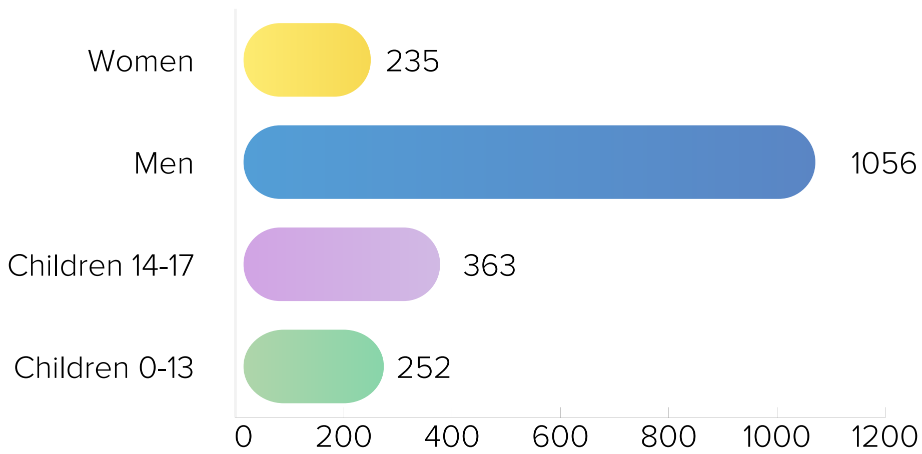
TOP 5 COUNTRIES OF ORIGIN BY NUMBERS OF APPLICATIONS SUBMITTED BETWEEN 1/2018-10/2018



GRAPH 4: Top 5 countries of origin by numbers of applications submitted between 1/2018-10/2018

According to the most recent data (Jan-Oct 2018), provided by the State Agency for Refugees, only 12% of the asylum seekers are women. The gender aspect also has an impact on the employability potential of refugees, as due to cultural and religious traditions, women from most of the countries of the origin usually do not take an active part in the economic life. Children make up 32% of applications for international protection, of which 19% are aged 0-13 years and 13% are 14-17 years old. About 56% of the asylum seekers are men aged 18-34 which is a positive sign taking into account the ageing population in Bulgaria. This trend has remained relatively stable for the last couple of years, thus, the prospect of rejuvenation of the workforce even at a small scale is present.

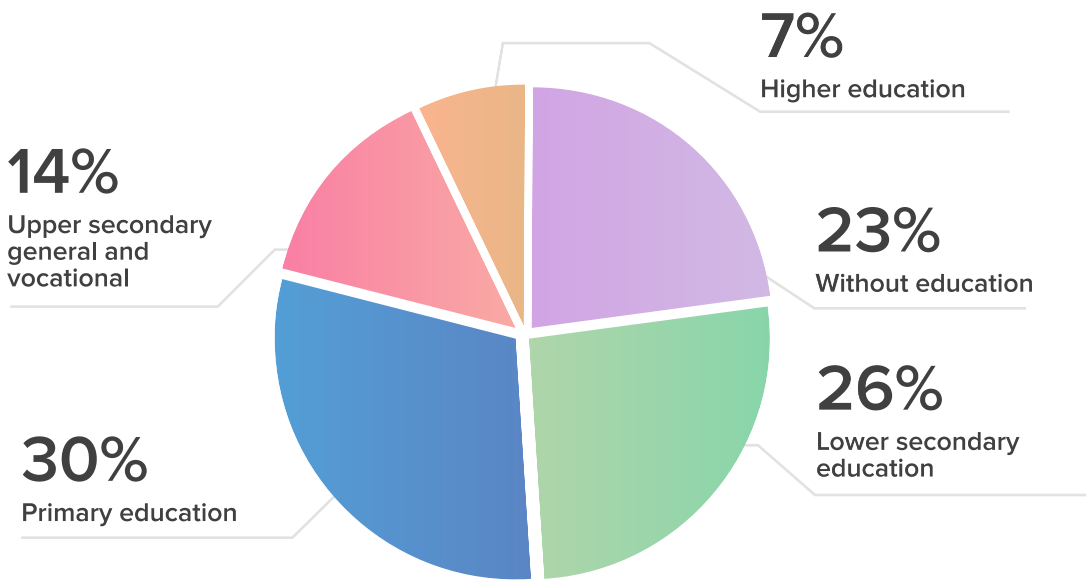
APPROXIMATE NUMBER OF ASYLUM APPLICATIONS BY GENDER - 1/2018-10/2018



GRAPH 5: Approximate number of asylum applications by gender - 1/2018-10/2018

For a more comprehensive picture, a closer look at the asylum seekers' educational levels is due, which reveals a not very favorable situation – the majority of the individuals are with primary and lower secondary education. This will require additional efforts/resources for further education, training and qualification on the job on the part of their potential employers

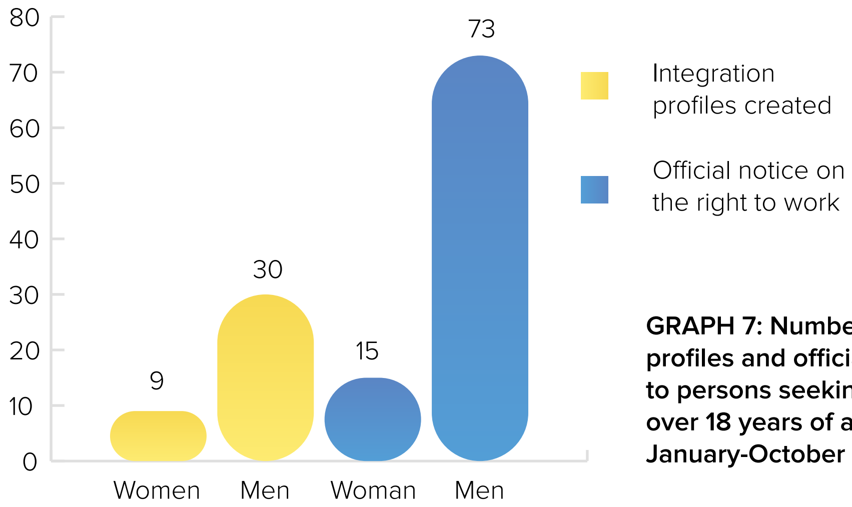
REFUGEES AGED 14 AND ABOVE DEPENDING ON THE EDUCATION THEY HAVE ANNOUNCED IN OCTOBER 2018



GRAPH 6: Refugees aged 14 and above depending on the education they have announced in October 2018

Considering the relatively small number of refugees remaining in the country, it is important to explore their own willingness and motivation to work. Two sources have been used for the purpose: on the one hand, the official information of SAR about the integration profiles which they are preparing to describe refugees' previous professional experience and acquired skills, and on the other hand the official notice on the right to work – official documents issued by SAR after the third month of asylum seekers' application procedure, which serves as a proof of their right to work.

NUMBER OF INTEGRATION PROFILES AND OFFICIAL NOTES ISSUED TO PERSONS SEEKING PROTECTION, OVER 18 YEARS OF AGE FOR THE PERIOD JANUARY-OCTOBER 2018



GRAPH 7: Number of integration profiles and official notes issued to persons seeking protection, over 18 years of age for the period January-October 2018

At the same time, there are very active NGOs in the field of professional and career development of refugees – like Caritas Sofia and the Bulgarian Red Cross, who are facilitating the job matching process with employers by organizing job fairs and individual career counselling. Their role is crucial in the communication process between the refugees and the employers, as they are actively trying to meet the expectations of both employers and job seekers, supporting the job matching process also with translation and cultural mediation services. During the last 2 years (2017-2018) Caritas Sofia has organised altogether 3 job fairs, according to which the following numbers of job seeking refugees have been identified.

TABLE 1: Job seeking refugees 2017-2018

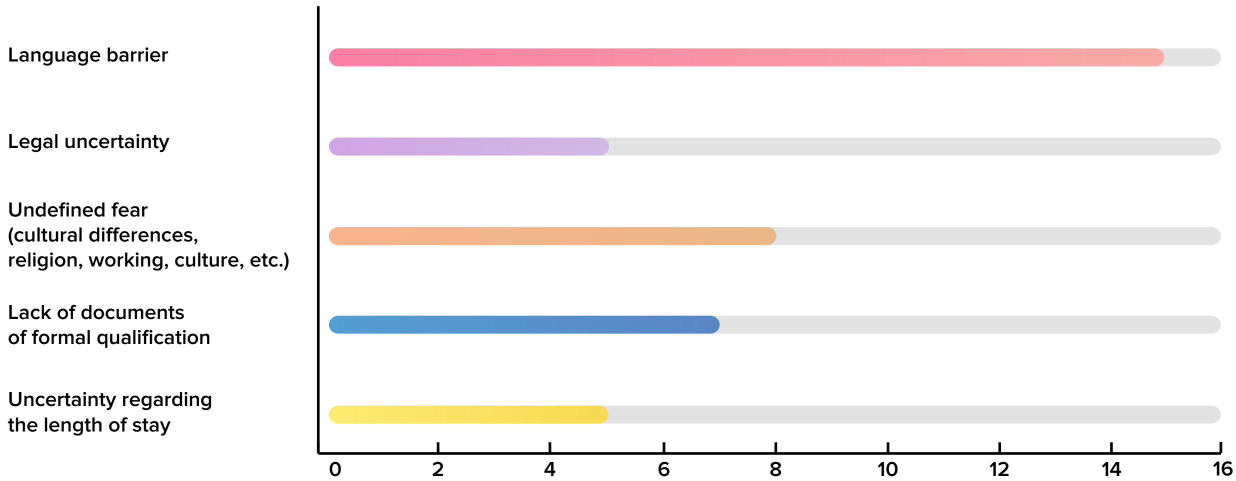
	2017	2018
Number of refugees registered at the Career Center of Caritas Sofia	248	241
Number of people who have taken part in the job fairs organized by Caritas Sofia and CATRO	98	102
Number of refugees who have found employment assisted by Caritas Sofia in 2017 and 2018	100	119

One final remark is due here regarding the main sectors of current employment of refugees which are often related with their previous professional background. These are as follows:

Retail | Agriculture | Gastronomy | Construction | BPO
Production – Processing Industry | Beauty Services | Supporting Staff

All this information is taken into consideration in the next parts of the report. At this stage it is worth noting that **a centralized system summarizing information** about the educational and professional qualifications and skills of the asylum seekers and beneficiaries of international protection in Bulgaria is **still lacking**. SAR is collecting and providing general data on the website of the Agency on a monthly basis, however detailed information on the employment needs of asylum seekers (such as that contained in the integration profiles) is not publicly available. This is a general obstacle for any potential employer who might be interested in the profiles of refugees – a statement which was confirmed by all 15 interviewed companies. A more transparent and pro-active communication (information campaigns) targeting especially the employers would be a very important step to provide easier access to qualitative information and to raise awareness among the companies and society as a whole.

TOP 5 BARRIERS FOR REFUGEE EMPLOYMENT SHARED BY THE INTERVIEWED EMPLOYERS



GRAPH 8: Top 5 barriers for refugee employment shared by the interviewed employers

According to the interviewed employers and stakeholders the most relevant barriers for employment of refugees in Bulgaria are the lack of language knowledge, lack of documents and credentials, and the lack of information about the cultural/religious specifics which often provokes subconscious fears, stereotypes and prejudices. Furthermore, the uncertain length of stay is a problem for long-term investments in training and further qualification efforts of the employers, but they are ready to cope with that, provided the refugees are really willing to learn and to further upgrade their knowledge and skills.

However, there are already multiple success stories of labour market integration of refugees in Bulgaria in several industries, in which some companies could be considered as pioneers and role models for further employers to undertake this step, proving that their business needs and humanity attitude can go hand in hand. After all, many of those asylum seekers and refugees have suffered different traumatic experiences in their home countries which requires a more holistic approach for their integration – providing them with psychological support, health and other services, building trust, which helps them first to recover from the shock and then enables them to think about their professional development and self-reliance.

IV. LABOUR MARKET OVERVIEW: TRENDS AND CHALLENGES

4.1. Brief overview of the economic situation in Bulgaria

According to the official statistical data, the Bulgarian economy is continuously growing in the last 6 years (since 2012). The annual rates of the gross domestic product (GDP) growth are higher than the average for the EU-28: 3,4% in 2016; 3,6% in 2015 and 1,3% in 2014.[4]

The increasing individual consumption has major contribution to the growing GDP in the country which is closely related to the growing economic activity of the population, a higher employment and higher remuneration levels. There is an overall slight improvement of the consumer confidence indicator[5] during the last 3 years, and rather positive expectations over the next 12 months (2018) which is a proof for the positive development of the private consumption in Bulgaria.

Another factor which has a positive impact on the growing economic activities in the country is the dynamically developing global economy, which is resulting also in an increasing demand for Bulgarian goods and services. The increasing export volume in the last 5 years is a good indicator for the competitiveness of the Bulgarian industrial production and service delivery. The industrial confidence indicator[6] is slightly growing during the last 3 years as well.

Finally, the Foreign Direct Investments are continuously rising too, especially in the sectors real state, financial brokerage, and production and trade of electricity. All these trends are showing a rapid developing economic situation in Bulgaria with a positive outlook for the upcoming years. Looking closer at the relevant labour market indicators, the picture shows similar optimistic trends.

4.2. Employment and unemployment rates

According to Labour Force Survey (LFS) data, the number of employed people aged 15 and above is continuously increasing since 2012. In the second quarter of 2018 the **official employment rate** for the age group 20-64 reached its peak not only in the last 10 years (the after-crisis recovery period) but is the highest number (72,6%) in the new history of the country.[7]

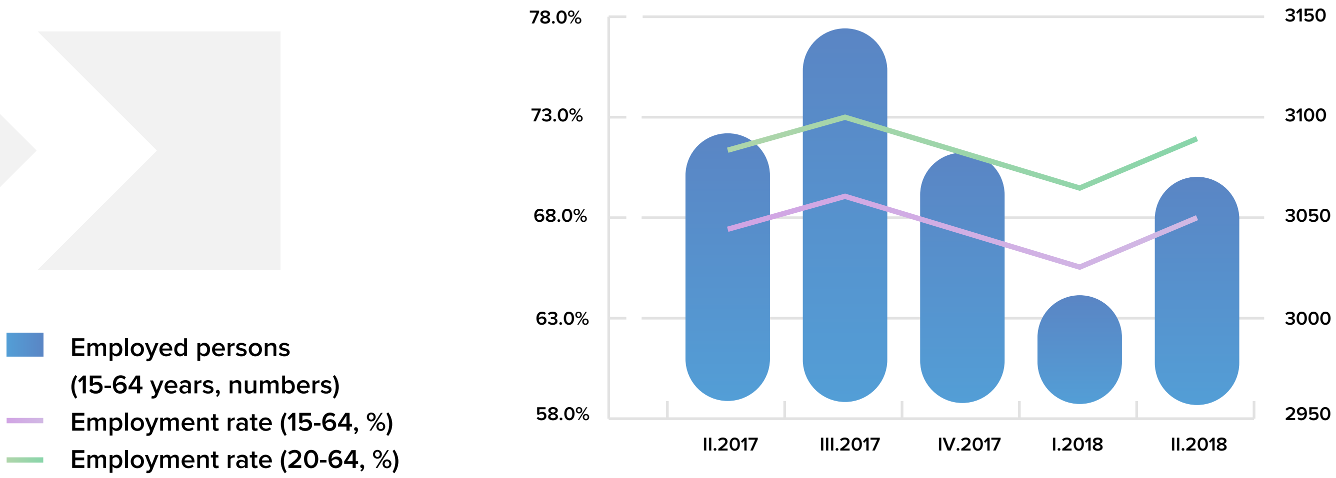
4. Data provided by the National Statistical Institute (NSI).

5. The consumer confidence indicator is an arithmetic average of balances of the expectations about the economic and financial situation, unemployment and savings of households over the next 12 months (consumer survey carried out by NSI).

6. The industrial confidence indicator is an arithmetic average of balances to replies on production expectations, order books and stocks of finished products (business survey in industry carried out by NSI).

7. Labour Force Survey, carried out on a quarterly basis by NSI, aiming at gathering and analysing data on employment and unemployment among a representative sample of Bulgarian households.

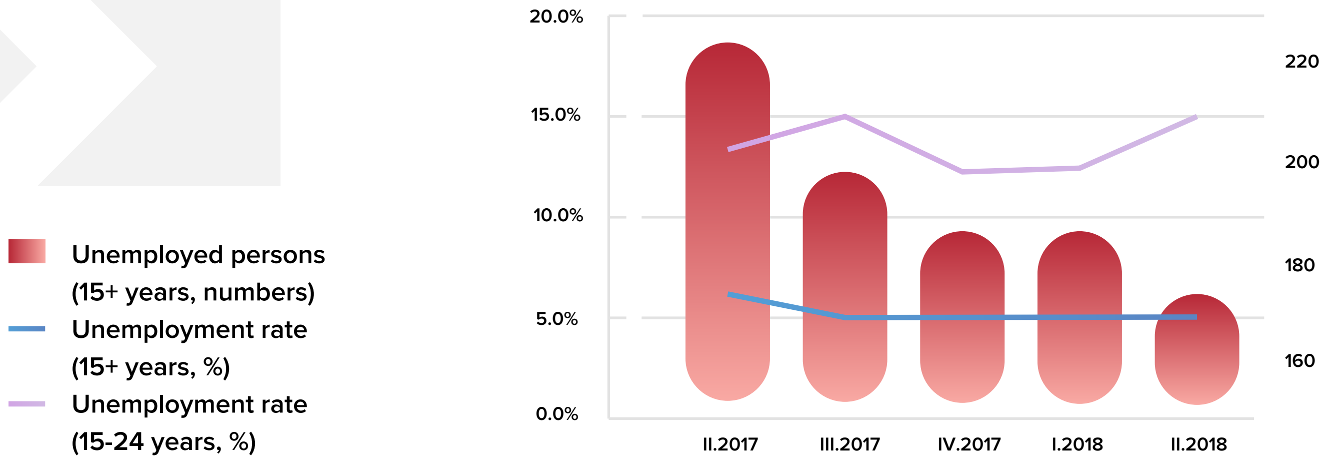
NUMBER OF EMPLOYED PEOPLE AGED 15 AND ABOVE



GRAPH 9: Number of employed people aged 15 and above

At the same time, the registered unemployment rate (the share of unemployed people out of the economically active population in 2011), is decreasing, amounting to 5,5% in the second quarter of 2018 which is with 0,8 percentage points lower than the same figure in 2017.[8]

NUMBER OF UNEMPLOYED PEOPLE AGED 15 AND ABOVE



GRAPH 10: Number of unemployed people aged 15 and above

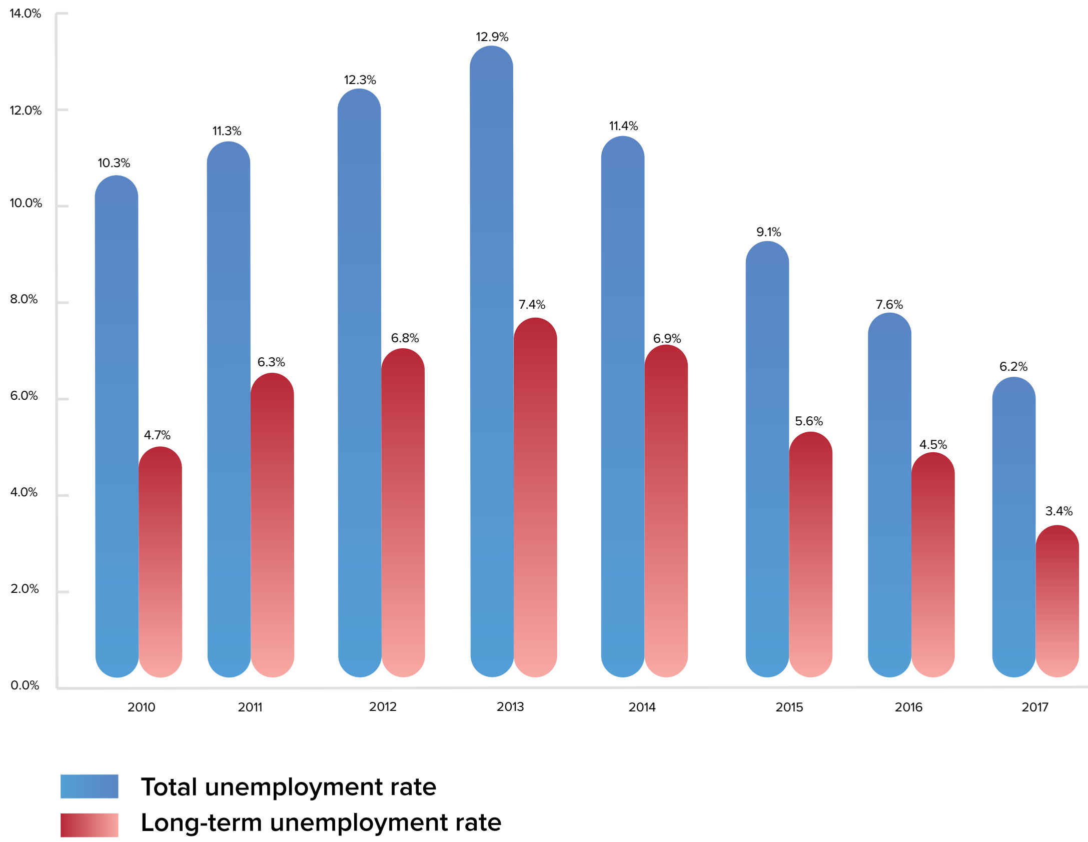
[8] Ministry of Labour and Social Affairs, Labour Market Analysis, July 2018.

However, a detailed look at some specific labour market indicators which are perceived as structural challenges not only in Bulgaria, but in the EU as a whole reveals the following highlights:

• **the unemployment rate among the young people (15-24)** is slightly rising during the current year, but has achieved a significant decrease in the course of the last six years – from 28,1% (2012) to 15,1% (2018);

• **continuously decreasing rate of the long-term unemployed people** (who have not been in employment for longer than 1 year) – from 6,8% in 2012 to 3,2% in 2018;[9]

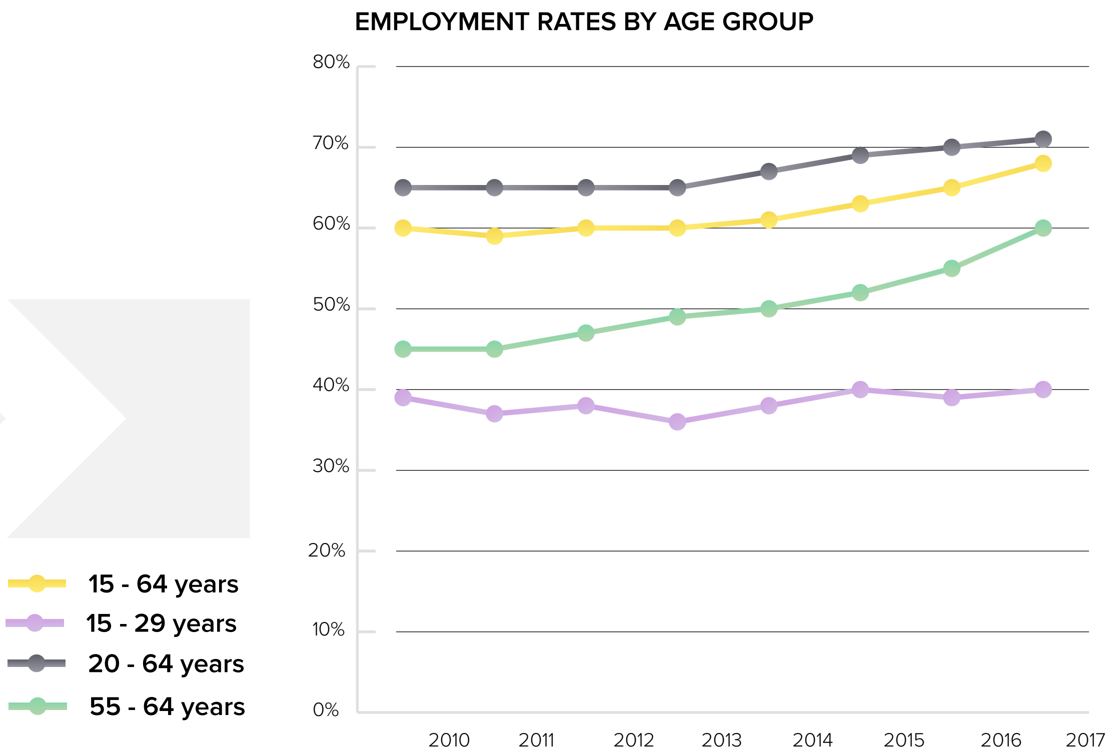
TOTAL UNEMPLOYMENT RATE AND LONG-TERM UNEMPLOYMENT RATE



GRAPH 11: Total unemployment rate and long-term unemployment rate

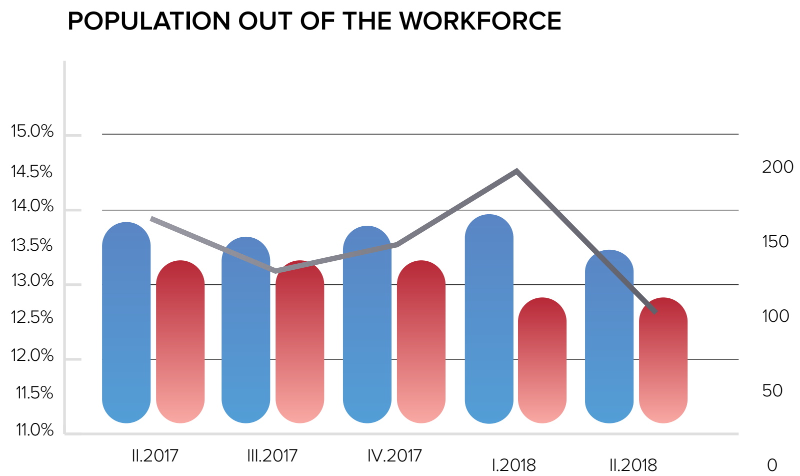
• **increasing employment rate of the share of the elderly people (55-64)** in the labour force by almost 10 percentage points (from 45,7% in 2012 up to 54,5% in 2016;

[9] NSI, Employment and Unemployment – Annual Data 2017.



GRAPH 12: Employment rates by age group

- **slightly decreasing share of the discouraged people on the labour market**[10] as well as a **decreasing share of the inactive people on the labour market**[11] in the course of the last year, showing a steady downward trend since 2012.



GRAPH 13: Population out of the workforce

Inactive people willing to work (15-64 years, numbers)
Discouraged people (15-64 years, numbers)

[10] Discouraged people on the labour market – economically inactive people, willing to work, but who are not actively searching for a job because they do not believe they will find an appropriate job.

[11] Economically inactive people on the labour market - people in the age group 15-64 who are not involved in education, training and work but who are willing to work.

The above described recent trends on the Bulgarian labour market are a clear indication for the overall positive development of the Bulgarian economy, where the employment levels of all age groups have been rising to the point which is described as a saturation level.[12] This fact implies that more opportunities for employment and involvement of the currently inactive groups on the labour market should be created (here including also the refugees whose participation in the socio-economic life is rather low yet) in order to sustain the pace of the economic development not only in Bulgaria, but also in the EU, as a whole.

To better understand the specific background of this overall challenge for the further development of the Bulgarian labour market and economy, a thorough analysis has been performed of the educational, demographic and sectoral specifics of the Bulgarian workforce which will be presented below.

4.3. Employment and demographic trends

The negative demographic trends in the last 20 years in Bulgaria are one of the main barriers for the further growth of the Bulgarian economy. According to a recent publication of Friedrich Ebert Foundation[13] the demographic crisis in Bulgaria started 30 years ago, but its impact has become more noticeable in the last few years due to the reinforcement of multiple factors:

- **The aging population** is not surprising for the EU countries as a whole, but together with the fact that Bulgaria has also **one of the lowest rates of average life span in Europe** (74,7 years), this leads to a demographic phenomenon that should be further explained below;
- Bulgaria has a **negative mechanic population growth** (the difference between the emigrants leaving the country and the immigrants coming to the country) due to the continuously growing number of young people leaving the country, especially after the EU membership;
- Another factor influencing the negative demographic trends is **the decreasing birth rate** in the last 20 years (1,6% decrease from 2016 to 2017[14]), and **the relatively high death rate** (2,1 percentage point increase from 2016 to 2017[15]). This negative natural growth of the population has direct implications on the economically active population which nominal numbers are continuously shrinking. The ratio of demographic replacement which describes the relation between the people going in retirement (age 60-64) and people entering the labour market (15-19) has changed from **100:124** to **100:62** in the last 10 years. This means that nowadays 100 economically active people have been replaced by only 62 new ones, which is visualising **one of the main concerns of the business:** the number of the population in working age is decreasing which cannot ensure a sustainable basis for future economic growth unless concrete systematic measures on a national level are undertaken.

Some possible measures discussed with multiple stakeholders (economic, social and labour market experts) during the qualitative interviews are to increase the retention rate of young people by creating high quality employment opportunities for them, which might attract also the people who have left the country to come back to work in Bulgaria. Discussions on a political level have been conducted to attract people (predominantly with ethnic Bulgarian background but not only, from countries such as Moldova, Belarus, Ukraine and Armenia). This also raises the question about how the currently available population in Bulgaria (incl. those with different ethnic and religious backgrounds – e.g. refugees) can be more actively involved in the labour market in order to utilize their potential and meet the needs of the business.

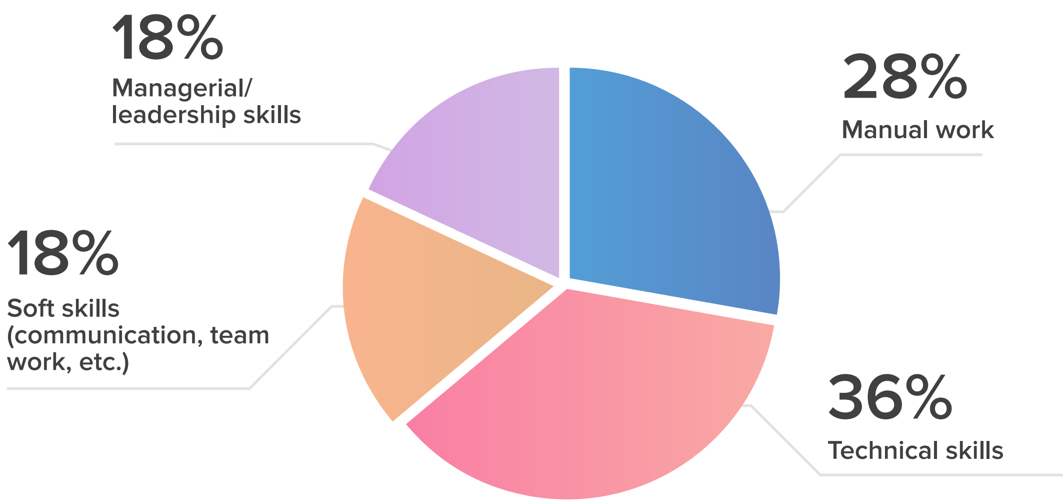
12. Institute for Market Economy, 2018.
13. Bardarov, G. and Ilieva, N. (2008) Horizons 2030. Demographic trends in Bulgaria, published by Friedrich Ebert Foundation.
14. NSI
15. NSI

4.4. Employment and educational levels

Taking into consideration these demographic trends of the population in Bulgaria, which according to the various scenarios of the National Statistical Institute are going to persist for the next 10 years (till 2030), it is highly interesting to observe and analyse the correlation between the employment levels and the educational status of the population. In this context a valuable research report has been produced by the Ministry of Labour and Social Affairs elaborated with the aim to serve as the basis for the Medium and Long-term Forecasts about Labour Market Demand and Supply in Bulgaria in the period 2014-2028.[16] The study is based on macroeconomic calculation models and is divided in 2 sub-periods (mid-term 2014-2018) and long-term (2019-2028), whereas the year 2018 is identified as a break-even year, after which the positive development of the employment trends will be more strongly influenced by the negative demographic trends in the population and the overall employment levels will start to shrink compared to the period 2013-2018.

• Looking closer at the educational status of the population, the employment level of people with **primary or lower education** is decreasing in the period 2013-2018 by 9,3% and will be further shrinking in the period up to 2029 according to the forecasts. This is due to the fact, that for the whole period 2013-2029, the share of people with primary or lower education will be decreasing at a much faster pace by 36,7% compared to the average reduction of the population (15,5%), which is a positive indicator for the long-term educational structure of the population. At the same time, there will be less labour market demand for people with lower educational levels, as basic functional literacy and some manual and technical skills (acquired usually at secondary school) is the minimum requirement even for the simple positions such as machine operators or warehouse workers in the processing industry according to the majority of the employers who have taken part in the current employment study (which are in the processing industry).

MAIN TYPES OF SKILLS REQUIRED BY THE INTERVIEWED EMPLOYERS

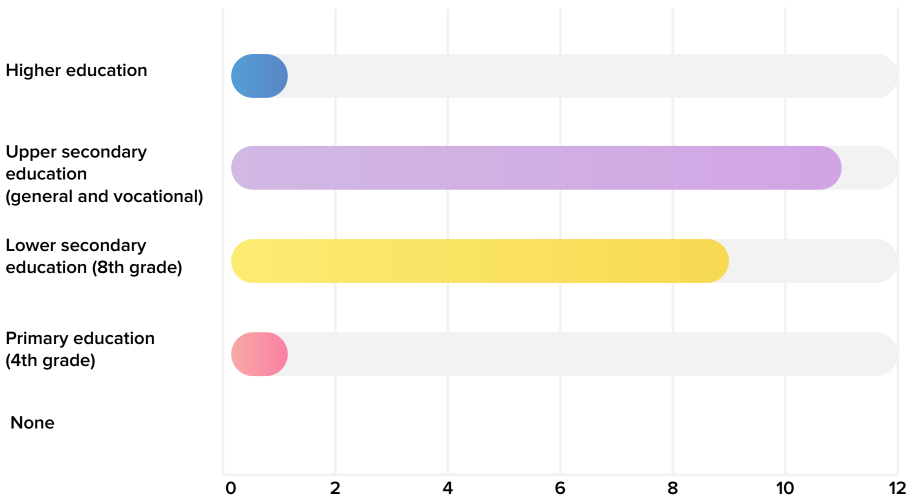


GRAPH 14: Main types of skills required by the interviewed employers

16. Ministry of Labour and Social Affairs, 2014. Forecasts about Labour Market Demand and Supply in Bulgaria in the period 2014-2028.

The same trend is valid for people with **lower secondary education** – their share in the overall population will also decrease by 35,2% for the period 2013-2028, which together with the limited demand of the labour market for people with lower qualification will result in decreasing employment levels of people with lower secondary education. Against this long-term employment development forecasts, it is worth mentioning that the current situation in 2018 is showing a slightly different picture, as the interviewed employers showed some flexibility regarding the educational requirements from the candidates for the lowest positions in the production (accepting also lower secondary education level, provided the candidates have proven good reading and understanding skills, are manually skilled and are willing to learn on the job). This would open the door for employment of refugees even without academic credentials, but who are able to pass the practical and cognitive intelligence tests of the companies. The main obstacle here will remain the language barrier, as working instructions, health and safety regulations are a must in the processing industry.

REQUIRED MINIMUM EDUCATION LEVEL BY THE INTERVIEWED EMPLOYERS

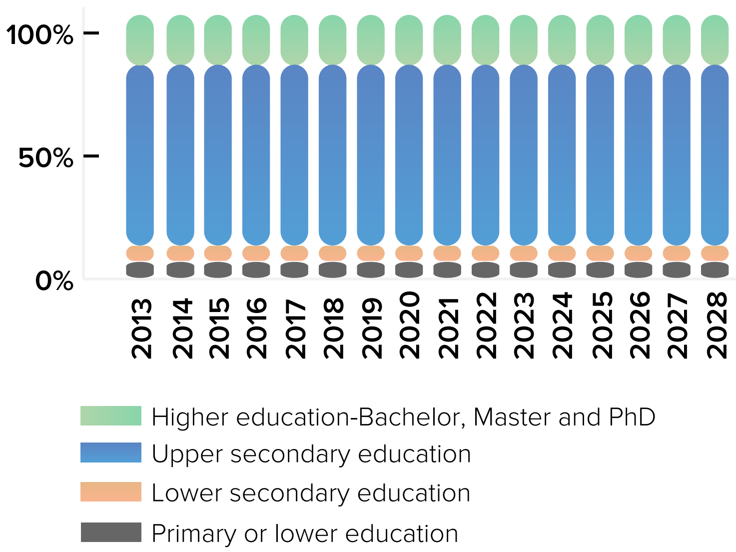


GRAPH 15: Required minimum education level by the interviewed employers

The employment dynamics of the people with **upper secondary (general and vocational) education** are more complicated according to the labour market forecasts in several ways: their number will decrease by 13,6% for the same period which is comparable with the overall population decrease by 15,5% so that their relative share in the population will remain almost the same. At the same time according to numerous employment studies by public bodies, research centers and private companies, the demand for people with upper secondary (general and vocational) education is continuously growing, and their employment rate will be continuously rising in the period 2013-2018 by 5,1%, after which a gradual decrease is expected for the period 2019-2028 (based on the assumptions in the econometric models of the labour market experts). These forecasts correspond to the answers of the interviewed companies in the scope of the present study, where the majority of them declare greatest needs for workforce with upper secondary education, followed by lower secondary education combined with the willingness and ability to continuously learn on the workplace.

Regarding the number of people with **higher education**, their number will be increasing by 7,3% for the period 2013-2028, which will positively impact the educational structure of the population. Considering also the greater demand of the labour market for people with higher qualifications, who can bring added value for the Bulgarian economy, this will result in higher employment levels of people with higher education (overall increase by 21,1% for the period 2013-2028).

EMPLOYED PEOPLE AGED 15-64 BY EDUCATION GRADE



GRAPH 16: Employed people aged 15-64 by education grade

Looking at the whole period 2013-2028, a conclusion can be drawn that the overall employment ratio is continuously rising – at a faster pace till 2018 and at a slightly slower one between 2019 and 2028. This change after 2019 is mainly due to the stronger impact of the demographic crisis when the lack of people of working age (15-64) will become more noticeable. Also, the educational structure of the population will positively change towards a greater share of and a higher demand for people with upper secondary and higher education.

This implies also the necessity for people with primary or lower secondary education to start upgrading their skills and qualifications in order to adapt to the dynamic requirements of the business, including here the target group of this employment study - the refugees as a group of people with predominantly lower levels of education or the impossibility to have their credentials recognized in Bulgaria. According to the interviewed employers in this study, **70% of them, notwithstanding the economic sectors they represent, are ready to support refugees with language training**, as well as with ongoing training on the job, equipping them with a mentor or a more experienced employee in the first 3-6 months, to learn the specifics of the job.

4.5. Employment trends per economic sector

Further interesting insights can be gained when looking at the employment trends per economic sector. According to the Forecast report of the Ministry of Labour and Social affairs,[17] **the top 5 sectors in the next 10 years (2018-2028) which will require upper secondary** (general and vocational) **education** will be:

1. Processing industry (521 711 jobs)
2. Retail (305 083 jobs)
3. Transport, logistics and currier services (162 391 jobs)
4. Construction (137 014 jobs)
5. Healthcare (120 877 jobs)

Furthermore, **the top 5 sectors in the period 2018-2028 which will require a higher education** profile will be:

1. Education (169 323 jobs)
2. Public administration (144 646 jobs)
3. Processing industry (93 116 jobs)
4. Retail (68 069 jobs)
5. Healthcare (61 182 jobs)

At the same time, **people with no or low level of education** will be mainly required in the water supply, sewerage and waste management sectors, agriculture, forestry and fishing, mining and quarrying, accommodation and food services, lower positions in the construction and manufacturing industries, as well as in administrative and support services.

These trends have been discussed and generally confirmed by the experts' opinions of employers' associations, social partners, labour market and economic research institutes, business associations, and governmental institutions who highlighted the following dynamically developing sectors as the ones with greater potential for refugee employment considering their professional profiles, ranked from 1 to 8 according to their relevance for this specific group.

17. Ministry of Labour and Social Affairs, 2015. Forecasts about Labour Market Demand and Supply in Bulgaria in the period 2019-2028.

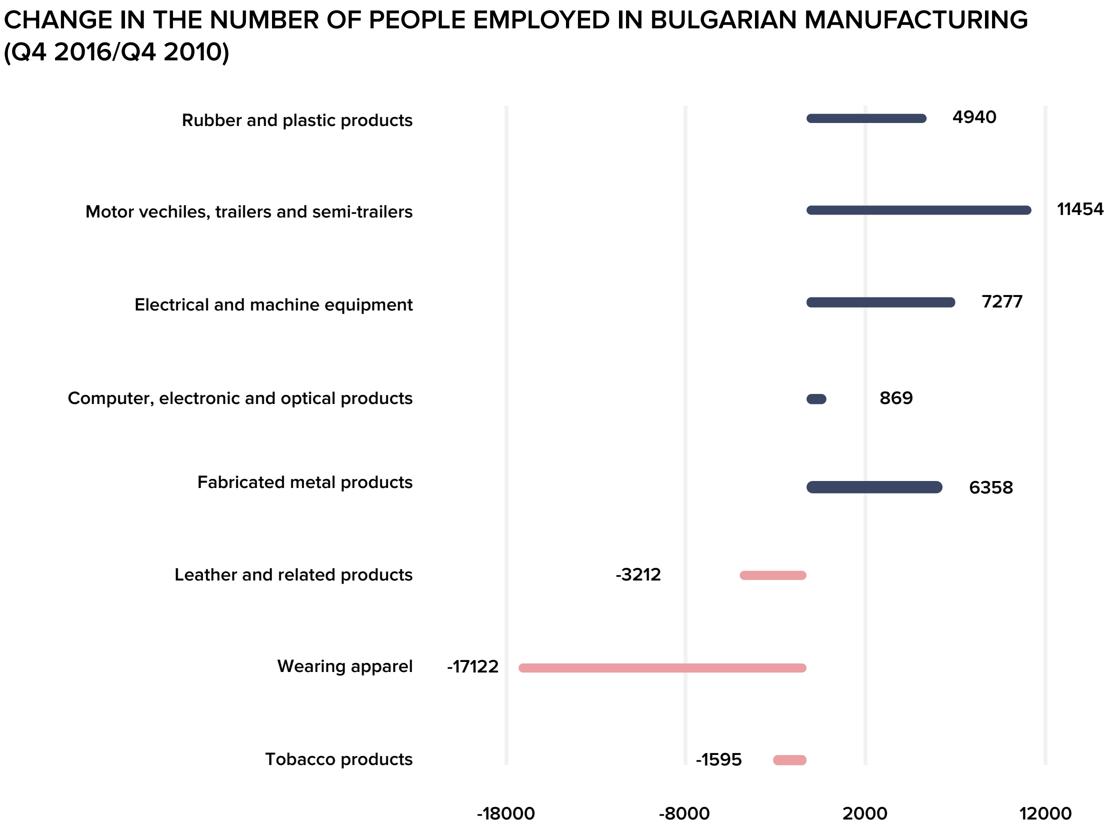
Rank	Economic sector with potential for refugee employment	Regional/Sectoral/Job specifics according to their potential for refugee employment
1	**Processing industry**	Mainly textile industry, food and beverage production, mechatronics and electrical components
2	**Agriculture**	Mainly in North-Eastern and North-Western regions of Bulgaria
3	**Construction**	Positions requiring lower level of technical expertise
4	**Accommodation & food services**	Requiring also a variety of language skills
5	**BPO/outsourcing sector**	Making use of the specific and rare language skills of the refugees
6	**Human health and social services**	Lower qualified positions in hospitals
7	**Real estate services**	Mainly in the property and facility management
8	**Transportation and storage**	Positions such as drivers, warehouse workers

TABLE 2: Dynamically developing sectors with greater potential for refugee employment

In addition to the above-mentioned employment trends per economic sector, a recent study of the Institute for Market Economics[18] has revealed some more specific structural disbalances which deserve additional attention:

• In **the processing industry**, which is clearly the fastest developing economic sector requiring people with different educational levels and professional qualifications, there are some specific internal structural shifts, such as from low added value (like wearing apparel) to higher added value manufacturing activities (electrical and machine yard equipment and vehicles and parts thereof), which has also led to a gradual increase of manufactural wages.

[18] Institute for Market Economics, July 2018.



GRAPH 17: Change in the number of people employed in Bulgarian manufacturing (Q4 2016/Q4 2010)

- Similar trends are observed also in the **food manufacturing industry** and also with regard to stationary plant and machine operators, assemblers, blacksmiths, toolmakers and related trade workers, sheet and structural metal workers, moulders and welders, electrical equipment installers and repairers.
- **The mining and quarrying sector** shows persistently high job vacancy rates since 2012, while wages in this sector are about 1,4 times the country average. Falling employment numbers and ongoing labour shortage in the sector are due primarily to the relatively low appeal of the mining sector occupations and the related education but may also reflect the gradual increase in automation and the need for personnel with diverse qualifications.
- In **the transportation and storage sector** the number of job vacancies has also been visibly higher than the country average in the last years. In particular, there is an evident shortage of truck drivers, which has put an upward pressure on the wages of such workers.

• In **accommodation and food services** the rising demand for workers is mainly due to the increasing number of tourists. At the same time this sector is characterized by widespread undeclared/under-declared work and income practices combined with labour force outflow in the neighbouring countries like Greece. All this has resulted in significant labour shortages which in turn has forced the government to vote amendments to the Labour Migration and Labour Mobility Act, allowing easier access of Bulgarian businesses to seasonal workers from third countries.

• **Healthcare** is the sector with the most persistent and significant labour shortages since 2009. Even though the salaries have been adjusted in the last years (45% rise in wages in the private and 27% in the public sector), the high demand for healthcare professionals abroad (especially in Germany) has "driven out" many employees from the sector.

All of the above-mentioned sectors mostly require people with low and secondary education, which opens the door for possible employment opportunities for refugees in them which was confirmed by the interviewed stakeholders (see table 2). At the same time,

• **The ICT sector** which is one of the most rapidly developing sectors in the last years with great added value for the economy (with 27% more employed persons in 2017 compared to 2010) is searching for high qualified employees with a desire to learn new technologies in order to keep pace with the dynamic technology development. Some specifics about the sector could be found in the first countrywide survey on Bulgarian digital SMEs[19] according to which:

o 91% of the companies plan to expand their employee base in the next 12 months;
o 32% of the companies experience difficulties in finding suitable personnel;
o 72% of the companies look for suitable employees by themselves, while less than 10% use HR services, agencies or other intermediaries;
o 68% of the companies outsource activities to freelancers.

4.6. Main labour challenges in the short and medium term

With the above background situation of the main demographic, educational and employment trends in Bulgaria, and considering the profile, the needs and the potential for employment of the refugees in the country, several main challenges can be identified and presented below.

19. Economic Development via Innovation and Technology (EDIT). Bulgarian Digital SMEs: November 2016 National Survey, 2017.

4.6.1. Lack of economically active people of working age

"There is no fight for talents, but for people at all."
Representative of the Bulgarian Industrial Capital Association

The first and foremost challenge from a demographic point of view, is the overall decreasing number of the population of working age, which is closely interlinked with the increasing number of people in retirement and a growing number of young people leaving the country. The lack of people across almost all economic sectors is turning into one of the main obstacles for further growth of all types of businesses and might restrain future investments in the country in the medium and long-term.

This challenge has been discussed and confirmed as the leading one with all 14 interviewed stakeholders (employers' associations, social partners, research institutes, staffing agencies, governmental institutions), as well as by all 15 employers across different sectors and regions in Bulgaria. The government is already planning measures on how to attract people from neighbouring countries (such as Armenia, Moldova, and Ukraine in the mid-term, and Belarus, Georgia and Azerbaijan), by preparing framework agreements for easier access of their citizens to the Bulgarian labour market.

At the same time, there is an unutilized potential on the Bulgarian labour market, here including the refugees as one possible target group which is predominantly in working age – 18-34, as well as under 18 years old. Provided the availability of Bulgarian language classes, refugees' willingness to learn the Bulgarian language and to acquire new skills on the job or at secondary school, these young people could be easily integrated at different levels on the labour market.

Finally, the private sector should create better- and high-quality employment opportunities to retain and engage the high qualified and young people in Bulgaria as well as to attract back those who have already left the country.

4.6.2. Skills mismatch

According to the labour market experts and researchers, the current labour market situation is already approaching its new equilibrium point called "almost full employment",[20] where further employment growth would be null or marginal against severe labour shortages. In addition to the decreasing number of economically active people on the labour market, however, there is a considerable gap between the needs of the business and the knowledge and the skills of the available workforce, referring here not only to the obtained educational degree, but to the overall attitude towards continuous learning and development, flexibility and mobility.

[20] IME definition – a state in which the unemployment rate has reached a noticeable low level, limited mainly to its structural and frictional component, meaning that unemployed are only the people whose skills and qualifications do not match the requirements of the labour market, or who are in a transition between two jobs.

All these factors are leading to a "skills mismatch"[21] – a phenomenon which is not only valid for Bulgaria, but for the whole European Union and which describes the situation where the employees' skills and qualifications do not match exactly the job requirements, which inevitably leads to a decreased labour productivity and competitiveness of the European companies. According to EUROSTAT data of 2018, **almost 40% of the Bulgarian industrial companies** claim that their economic growth and expansion is threatened by the lack of appropriately qualified workers (compared to an EU average of 19,1%).

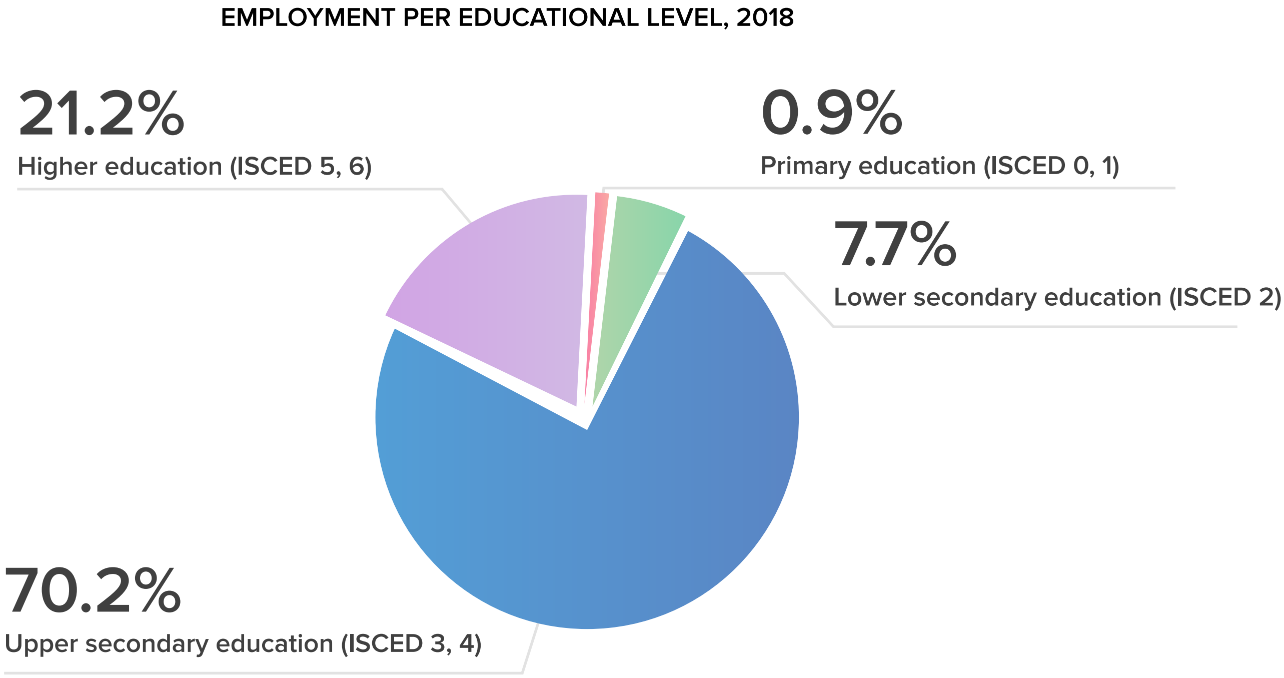
Based on the study of the Institute for Market Economics there are five main forms of skills mismatches, which are all currently valid for the labour market situation in Bulgaria and are shortly discussed below:

Skills shortage	Demand for a particular type of skill exceeds the supply of people with that skill at equilibrium rates of pay.
Qualification mismatch	The level/field of qualification is different from that required to perform the job adequately.
Over-(Under-) qualification/education	The level of qualification/education is higher or lower than what is required to perform the job adequately.
Skills gap	The type or level of skills is different from that required to perform the job adequately.
Over-(Under-) skilling	The level of skill is higher or lower than required to perform the job adequately.

TABLE 3: Five main forms of skills mismatches

Skills shortages are observed across all economic sectors in Bulgaria, especially for positions requiring manual work (warehouse workers, commissioners) and more specialized technical skills (machine operators, installers of electric machines), according to all interviewed 15 employers. In addition, skills shortages are combined with **qualification mismatch** and **over-(under-) qualification/education** which is mainly due to the demographic and educational level developments discussed above. **As the demand for people with primary or without education will be further shrinking** (only 7,7% of the jobs meet these requirements) this will mostly affect the young people with disadvantaged background and the elderly people who have more difficulties to adapt to the new labour market requirements. The active labour market measures should be focused in this direction. **The newly created jobs will be targeting mainly people with upper secondary or higher education** (70,2% of the jobs will require people with vocational and general education, and 21,2% people with higher education).

[21] Institute for Market Economics, July 2018



GRAPH 18: Employment per educational level, 2018

These trends will be valid for the next decade, whereas different forms of skills and educational mismatches will be observed:[22]

• Around 27 500 people with primary or lower secondary education will be employed at positions requiring at least upper secondary education in 2019, which phenomenon is called over-qualification (over-engagement);

• Approximately 130 000 people with higher education might be expected to take on positions which do not require such a high level of education – a phenomenon called under-qualification (under-employment);

• Altogether around 157 300 job vacancies will be filled with people with lower or higher than the required qualification due to the structural deficit of employees with the most appropriate technical/professional education and qualification.

If one assumes a moderate positive pace of the technological modernisation of the economy, the forecasts for the next 15 years predict that until the end of the defined period – 2028, the structural deficits and mismatches will manifest in the following: 73% increase of the under-employment rate of people with higher education (altogether 225 000 people with higher education will be employed at positions requiring lower level of education) and 15% increase of the structural deficit for people with upper-secondary education.

22. MLSP, 2015 Long-term Forecasts for Labour Market Supply and Demand in Bulgaria for the period 2019–2028.

Analysing the reasons behind the different forms of skills mismatch, especially the qualifications mismatch and the skills gaps, a few additional labour market challenges can be identified:[23]

- **Slow adaptability of education and training systems** (and thus skills in general) to the process of dynamic development and disruptive innovations in the economy - i.e. the permanent replacement of established products, businesses and activities with new alternatives;
- **Low labour mobility** across economic activities and regions, including due to cultural factors, information asymmetries, labour market bottlenecks (including diploma/qualification recognition), deficiencies in labour intermediation and existing public policies and regulations.

Based on the analysis of the interviews with distinguished labour market experts, employers' organisations, social partners and business chambers of commerce, these challenges can be all related to **the Bulgarian labour market**, by ranking them in the following order:

- **Rather old and inflexible labour market regulations which create an obstacle** for both employers and employees to meet their mutual requirements and expectations such as for more flexible forms of employment, incl. also regarding the employment of third country nationals;

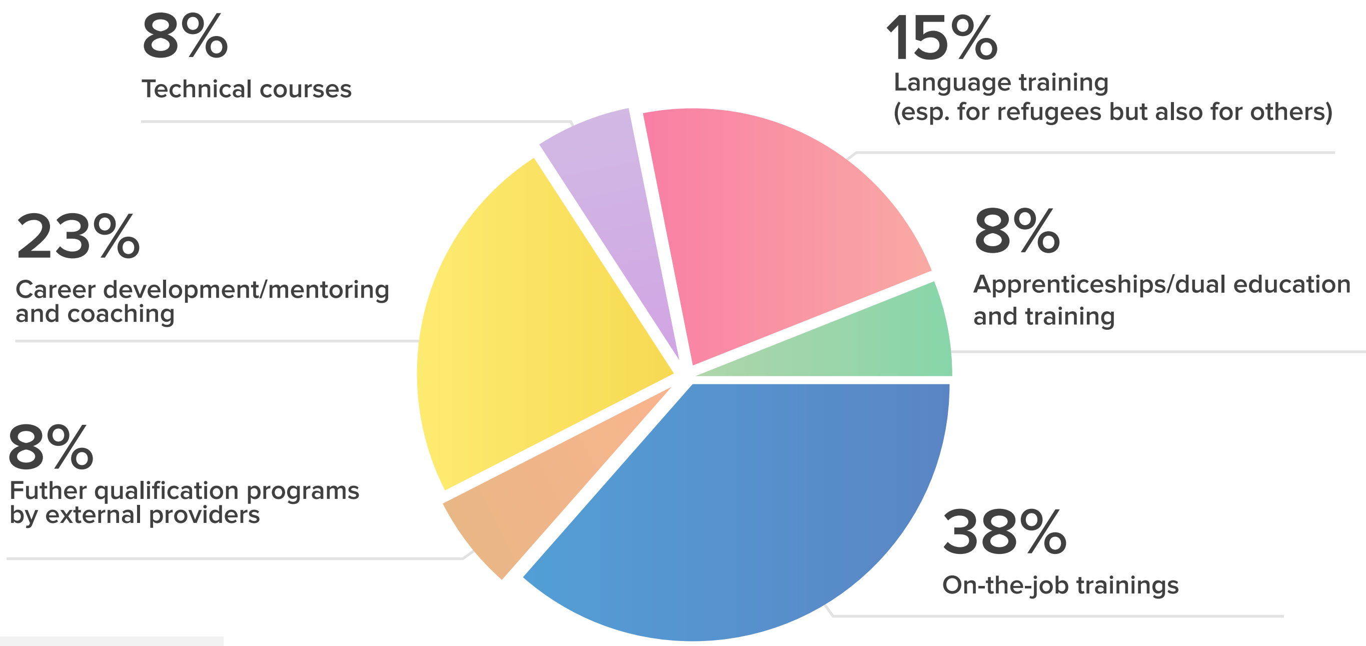
- **Insufficient traditions in lifelong learning and (re)qualification** among the Bulgarian population, according to a recent study of CEDEFOP.[24] Lifelong learning is not yet a priority, either on the political agenda, or among the population, where only 30% of the actively employed Bulgarians believe that their skills will be outdated in 5 years and they would need further training and qualifications, compared to an EU average of 47%. Changing the attitudes among the population towards more openness and willingness for lifelong learning and adapting to the steadily changing business environment is a long-term process, which has already started but will need further re-enforcement. All 15 interviewed employers across different sectors and regions highlighted **that the willingness and the ability to learn, to acquire new knowledge and skills** currently is and will be the leading requirement for each job position, at every level in the organisation.

- **Lack of mobility and adaptiveness** of the employees to the working conditions (e.g. transportation to the production sites of the companies which is usually covered by the employer);
- Moderate willingness and readiness of the companies **to invest time and efforts to create adequate on-the-job training environment** using different forms of learning-on-the-job – from mentoring, coaching, job shadowing to more sophisticated forms of dual education in cooperation with the secondary schools in Bulgaria.

23. European Economic and Social Committee, 2018. Skills Mismatches – An Impediment to the Competitiveness of EU Businesses.
24. CEDEFOP, 2015. Skills, qualifications and jobs in the EU: the making of a perfect match?

With regard to the last statement, the interviewed companies shared that they make an extensive use of different forms of internal training and development measures, focusing mostly on on-the-job training (because of the lack of appropriate providers for the required professional qualifications), in combination with mentoring and coaching.

JOB TRAINING OFFERED BY THE INTERVIEWED EMPLOYERS



GRAPH 19: Job training offered by the interviewed employers

• **modernisation of the educational system, highlighting especially the attractiveness of a modernised vocational education and training system**, e.g. through embedding dual education in many industrial sectors, and fostering re-qualification and continuous education and training to ensure cross-sectoral mobility, will remain a **medium-to long-term priority** on the national agenda of the relevant institutions (Ministry of Education and Science, Ministry of Labour and Social Policy) in order to reduce the skills and qualification gaps on the labour market.

4.7. Conclusions and refugee employment perspectives

Based on the overview of the current labour market situation in the country and the outlined trends for the upcoming years, there is a clear trend of diminishing employment opportunities for people with low or lack of education. The analysis of this trend from the perspective of the issue of refugee integration in the Bulgarian labour market implies that refugees and migrants will have to upgrade their skills and qualification in order to meet the requirements of the employers along with the improvement of their language knowledge. In the meantime, there is a readiness and willingness on the part of the employers to support the refugees in this learning process, provided they are motivated to invest efforts too and commit to the company.

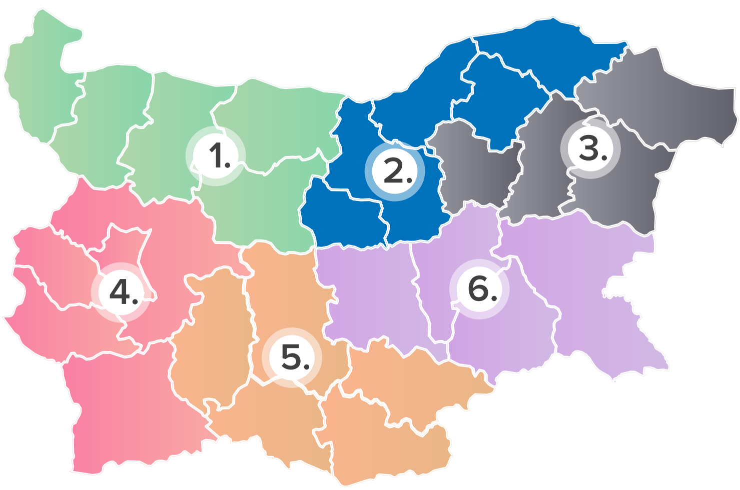
Regarding the current profiles of the refugees in Bulgaria, and the forecasts about the leading economic sectors in the next decade, the most appropriate job opportunities for refugees will be in the processing industry, the food and accommodation, the transport and construction sectors, as well as in the agricultural sector, especially in Northern Bulgaria, which will require relocation of refugees to regions which are rather depopulated, and this would also be beneficial for the local municipalities.

In the next chapter, a closer attention is drawn to the regional specifics regarding the demographic and employment trends, also looking at some further perspectives for refugee employment.

V. REGIONAL SPECIFICS IN BULGARIA

Bulgaria is divided into 6 planning regions, 28 districts and 264 municipalities. In order to implement the EU regional policy in Bulgaria, the 6 planning regions are set up in compliance with the EU criteria (NUTS-2 regions).[25] A more detailed look at the heart of the regional statistics according to the NUTS classification — the classification of territorial units for statistics purposes, is taken in order to identify the specifics of each separate region in Bulgaria and draw the main perspectives for refugee employment in Bulgaria. Furthermore, the current research aims to point out the concrete employment needs of each planning region which can be considered for further strategic actions for refugee employment. Map 1 presents the administrative territorial division of NUTS-2 regions in Bulgaria. The next pages outline the present demographic, economic and employment situation in each of the regions. Moreover, a summary of the basic economic indicators is offered,[26] followed by a comparative analysis.

1. North-Western
2. Northern-Central
3. North-Eastern
4. South-Western
5. Southern-Central
6. South-Eastern



[25] Research for REGI committee: The economic, social and territorial situation in Bulgaria, European Parliament 2017.

[26] TABLE 4, on p. 43.

An important remark should be made here, concerning the planned modifications in the administrative territorial division in NUTS-2 regions in Bulgaria.[27] At the beginning of 2018, the Ministry of Regional Development and Public Works developed a draft law for the reduction of the NUTS-2 regions from six to four - Danube region, Black Sea region, South-Western and Thracian-Rhodopian region. The arguments behind this proposal are aiming at creating a more sustainable territorial coverage of the NUTS-2 regions and at achieving more effective measures for overcoming the inter-regional and intra-regional disparities and inequalities also in comparison with the other regions in the EU. However, the decision is yet to be discussed in the Parliament so that the real implementation is to be expected in the next few years. The new territorial division will impact the regional performance in the long run and will be more relevant to the new budgetary framework of the EU funds 2021-2027. As such it does not have any substantial influence on the analysis in the current study.

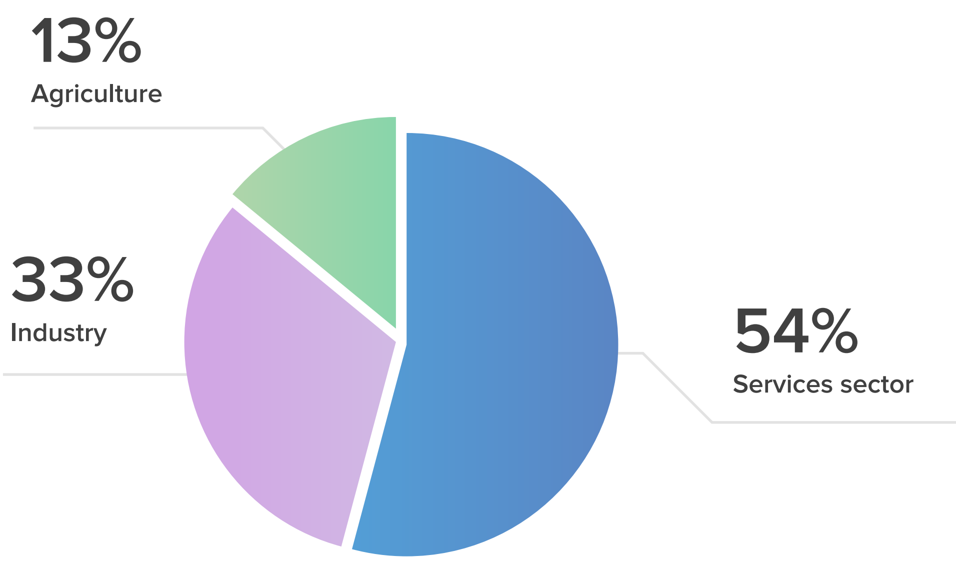
5.1. North-Western region

The North-Western planning region is located along the Danube River and is identified as the planning region with **the lowest population** in Bulgaria (Eurostat, 2017).[28] The North-Western planning region encompasses five districts: Vidin, Montana, Vratsa, Pleven and Lovech, and its **capital is Pleven**.

Socio-economic profile

In the first half of 2017, the North-Western planning region continued to have the **worst socio-economic performance** in Bulgaria which, accordingly, resulted in the highest unemployment rate. Moreover, Vidin district appears to have the **uppermost unemployment rate (18,3%)** in the whole country. However, with the improving labour market in Bulgaria, the employment rate in four of the five provinces in the North-Western region (Montana, Vidin, Vratsa and Pleven) has increased in the first quarter of 2018, compared to the second quarter of 2016.

SECTOR CONTRIBUTION TO GROSS VALUE ADDED IN %



GRAPH 20: Sector contribution to Gross Value Added in %, North-Western region

27. Portal for public consultations at the Council of Ministers of the Republic Bulgaria http://strategy.bg/PublicConsultations/View.aspx?lang=bg-BG&Id=3793

28. Industrial market, Industry, Entrepreneurship and SMEs in NUTS-2 regions in Bulgaria https://ec.europa.eu/growth/tools-databases/regional-innovation-monitor/region/bulgaria

Continuing with the negative trends, the regional GDP per capita in Purchasing Power Standards is also the lowest in Bulgaria, amounting to €8,400, compared to an average of €13,600 for the country (Eurostat, 2017). **The increased migration of young people** to other regions is among the main shaping factors for the weak socio-economic performance of the region. It influences the regional unemployment rate of 11,6%, which is the highest in Bulgaria, for the group 15-64 years (NSI, 2017).[29]

Farming and processing of agricultural products are the traditional sectors of the regional economy, but only 7,7% of all employed in the region are employed in agriculture, forestry and fishing (Eurostat, 2017) and contributed by 13% to the regional gross value added (GVA). **Looking at that group of refugees without education and previous working experience,** the needs of this sector are matching their competences and could be considered as a potential field for refugee employment.

The **unfavourable labour force profile** in the North-Western region affects **most of the sectors** of structural importance to the region's economy: mechanical engineering and metal processing, construction, transport, ceramics, the timber production and wood processing industries, the clothing industry, wholesale and retail, services, health care,[30] all of which can be potential opportunities for refugee employment in this region.

This region appears to be **the least attractive for foreign investors**. Moreover, this fact was confirmed by the employment associations and the experts who participated in the study. In their opinion, a lot of investment projects in this region have been withdrawn due to the lack of labour force in the North-Western region.

5.2. Northern-Central region

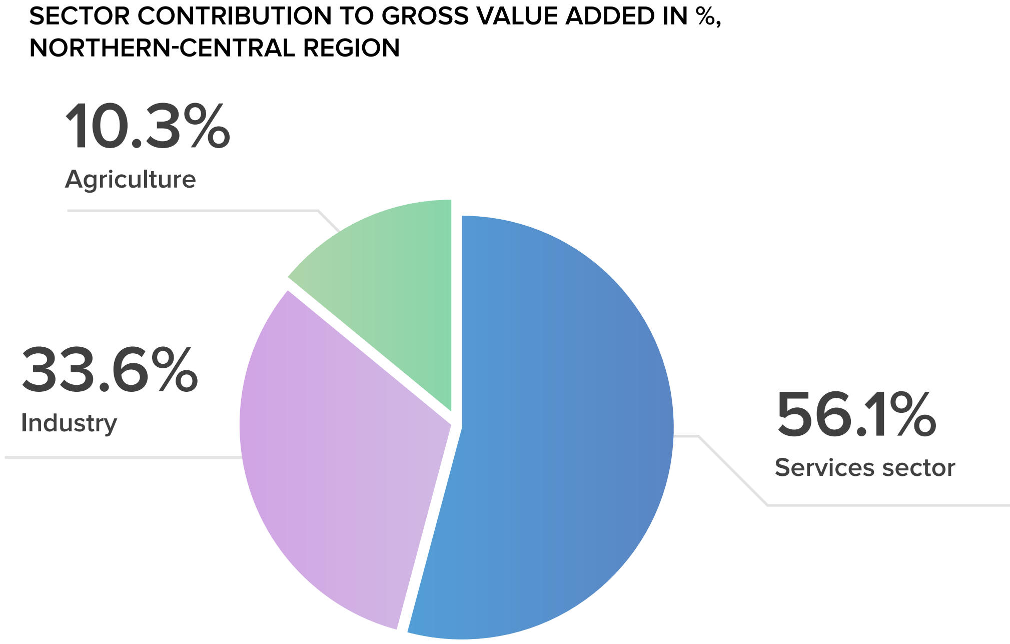
The Northern-Central planning region is located along the Danube River, which facilitates the cooperation with 14 European countries. **The region is one of the smallest planning regions in Bulgaria.** The major administrative districts in the Northern-Central planning region are Ruse, Veliko Tarnovo, Gabrovo, Silistra and Razgrad. Its regional capital is **the city of Ruse, which is Bulgaria's largest fluvial port.**

Socio-economic profile

The Northern-Central planning region ranks fifth in terms of GDP. However, this indicator has been steadily increasing since 2011. **The employment rate of 65,2%** reflects the economic and investment activities and is below the average national rate of 67,9% (NSI 2018). In 2018, the unemployment rate was 7% and is lower than the EU average of 8,6% (Eurostat, 2017).

[29] Classification of Territorial Units for Statistics in Bulgaria (http://www.nsi.bg/en/content/12993/basic-page/classification-territorial-units-statistics-bulgaria-nuts)

[30] Regional profiles, Development Indicators for 2017, Desislava Nikolova, Ph.D., Zornitsa Slavova, Yavor Aleksiev, 2017.



GRAPH 21: Sector contribution to Gross Value Added in %, Northern-Central region

Regarding the occupational structure in the first half of 2017, the biggest category of registered unemployed people remained the group of people **without any qualifications or specialisation – 50,6%.** Their relative share is comparable with the level reported in the same period of 2016.

The majority of vacancies that employers sought to fill through job centres in the region addressed mostly **low-skilled labour (88,9%)** which, to a large extent, corresponds to the educational and skills profiles of the registered unemployed and refugees profile. Moreover, the largest number of vacancies opened in the Northern-Central region in 2017 were in **the processing industry** standing at 4,497 jobs; **agriculture and forestry** ranked second with 1,829 jobs. Also, 1,565 jobs were announced in the field of **retailing and repairs of cars and motorcycles**; the vacancies in construction were 811 (for building workers).

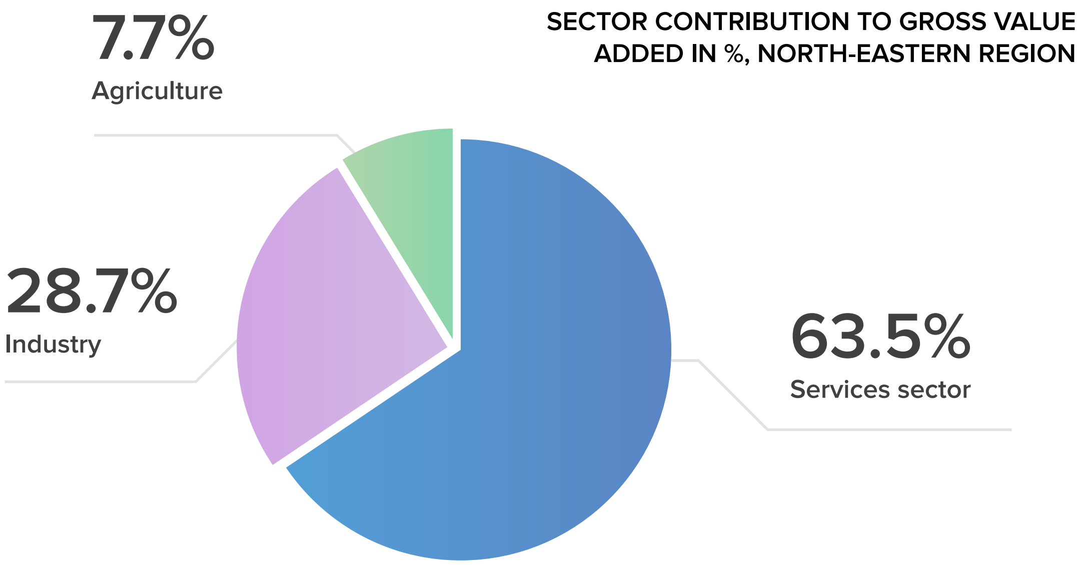
A preliminary conclusion that can be drawn is that **the majority of the above listed sectors** are suitable for the predominant profiles of the refugees in the country, which opens a door for refugee employment in the Northern-Central region.

5.3. North-Eastern region

The North-Eastern region is **the planning region in Bulgaria with the smallest territory, but it represents** 13% of the country's overall population (Eurostat, 2017). It borders the Black Sea and is located along the Danube River, which facilitates **the cooperation with 14 European countries.** The major administrative districts in the North-Eastern planning region are Silistra, Varna, Shumen and Dobrich.The regional capital is Varna which encompasses **over half of the region's population**.

Socio-economic profile

Overall, the North-Eastern region is the fourth largest region in the national economy, contributing **11%** to the national GDP. **The regional employment rate is slightly below the average national values** (Eurostat, 2017). In the first six months of 2017, the decline in the registered unemployment persisted, in line with the trend over the past five years.



GRAPH 22: Sector contribution to Gross Value Added in %, North-Eastern region

In the beginning of every year the economic situation in the North-Eastern planning region is **dominated by the seasonal nature of the labour supply and demand, determined by the structure of the local economy.** The highest seasonal demand for labour is registered in agriculture, tourism, trade, and processing industry (food and beverages and textiles). Especially high employment rates are reported in the summer period, which is expectedly the most active one.

In the first six months of 2017, the average registered unemployment rate in the North-Eastern region was 8,2%, compared to the national average of 7,6%. The unemployment rate in **the province of Varna (5,1%) was lower than the national average**, while the unemployment rate in the remaining provinces **stood at 8,0%** (Dobrich), **13,2%** (Shumen), and **14,5%** (Targovishte). These data are a proof for the intra-regional disproportions. The region features high investment activity focused mainly in the Varna administrative region due to its appeal as a tourist and logistical centre on the Black Sea coast.[31]

[31] Regional profiles, Development Indicators for 2017, Desislava Nikolova, Ph.D., Zornitsa Slavova, Yavor Aleksiev, 2017.

CATRO
UNHCR
The UN Refugee Agency

With regard to the occupational structure, the largest category of persons registered as **unemployed** remained the group **without any qualifications or special skills (20,093)**, followed by blue-collar workers (8,798) and specialists (6,099).

In terms of education, almost half **(49,2%)** of the unemployed persons registered with the job centres in the North-Eastern region in the first six months of 2017 had a **primary or lower level of education.** This unfavourable trend resulted from the deepening imbalance between labour demand and supply, as well as from the deficit of qualified personnel in key sectors.

The main industry sectors are **food, beverage and tobacco production, chemicals, textile, fibres and clothing, machine building, transport equipment and construction building.**

According to the Employment Agency data, **the largest** number of vacancies in the North-Eastern region from January to June 2017 was concentrated in **hotels and restaurants** (6,435) and in the **processing industry** (2,286). The majority of vacancies which employers sought to fill through job centres in the region addressed **low-skilled labour (88,4%**, or 15,359 vacancies). This group mostly includes positions such as cleaning staff, janitors, security guards, kitchen staff, etc. which require low qualification and skills and it is a potential opportunity for refugee employment in this region with the corresponding skillset.

5.4. South-Western region

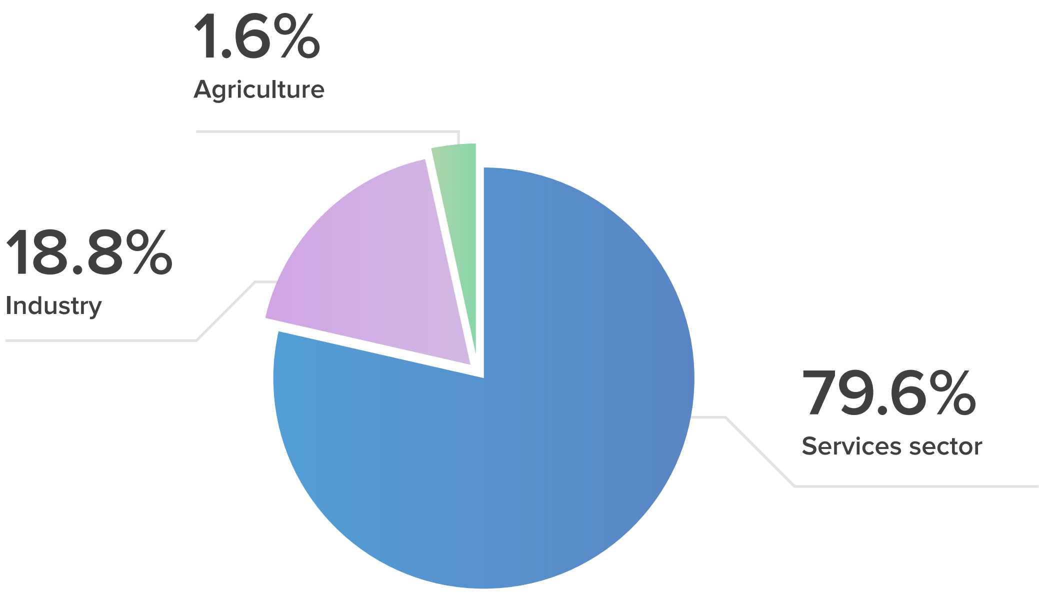
The major administrative districts in the South-Western planning region are Sofia city, Sofia district, Pernik district, Kyustendil district and Blagoevgrad district. The region contains **the largest share of the population in Bulgaria** (Eurostat, 2017). Although it is the **most advanced Bulgarian region** in terms of economic development due to the presence of the capital city, it lags behind the average innovation development level of other European regions, and **considerable intra-regional disparities are observed, too.** More than half of the region's population (60,5%) lives in the city of Sofia (1,291,591 people, or 17,5% of Bulgaria's population).

Socio-economic profile

The South-Western region has the highest employment rate in the country and the lowest unemployment (2,8%)[32] **which has been a lasting trend since 2008.** In comparison, the unemployment rate in the North-Western planning region is almost four times higher (11,6%). Furthermore, the lowest unemployment rate, both for the region and country-wide, was reported in the city of Sofia (2,27%) and the province of Pernik (6,05%). As regards the occupational structure, as of the first quarter of 2017, the largest category of people registered as unemployed with job centres in the South-Western region **remained the group without any qualifications or special skills (22,724).**

32. Industrial market, Industry, Entrepreneurship and SMEs in NUTS-2 regions in Bulgaria
https://ec.europa.eu/growth/tools-databases/regional-innovation-monitor/region/bulgaria

SECTOR CONTRIBUTION TO GROSS VALUE ADDED IN %, SOUTH-WESTERN REGION



GRAPH 23: Sector contribution to Gross Value Added in %, South-Western region

This is the most developed region, **contributing 48% of Bulgaria's gross domestic product** (GDP). This region is also the leader in terms of **year-over-year investment growth and newly created jobs.** Sofia continued to be among the leading industrial locations in Bulgaria, ranking at **the top in the processing industry.** In contrast to the high levels of economic activity, the region has **experienced problems with the high level of environmental pollution,** despite the fact that, as the graph shows, the presence of agriculture in this region is very limited, compared to the rest of the planning regions in Bulgaria – 1,6% (NSI, 2017).

According to data of the Employment Agency of 2017, 26,912 vacancies were made available in the South-Western region, **the majority of which** (18,124) being in **the services sector** and for **low-skilled labour, 88,2%** of all the new jobs are suitable for workers with no specialized skills or qualifications. At the same time, **there was a decrease in the employment rate of people with a lower level of education**, both in the industrial sector and in the sectors of public administration and administrative services.

The above-mentioned trends in the South-Western region reveal various opportunities for refugees, whose vast majority is located in the 3 registration centers in Sofia and many live at external addresses in the capital. Most of the appropriate jobs are to be found in the services sector (food and gastronomy, beauty services, retail, car washing services, etc.). There are also numerous employers in the processing industry, in the surroundings of Sofia, Pernik, Blagoevgrad, etc.

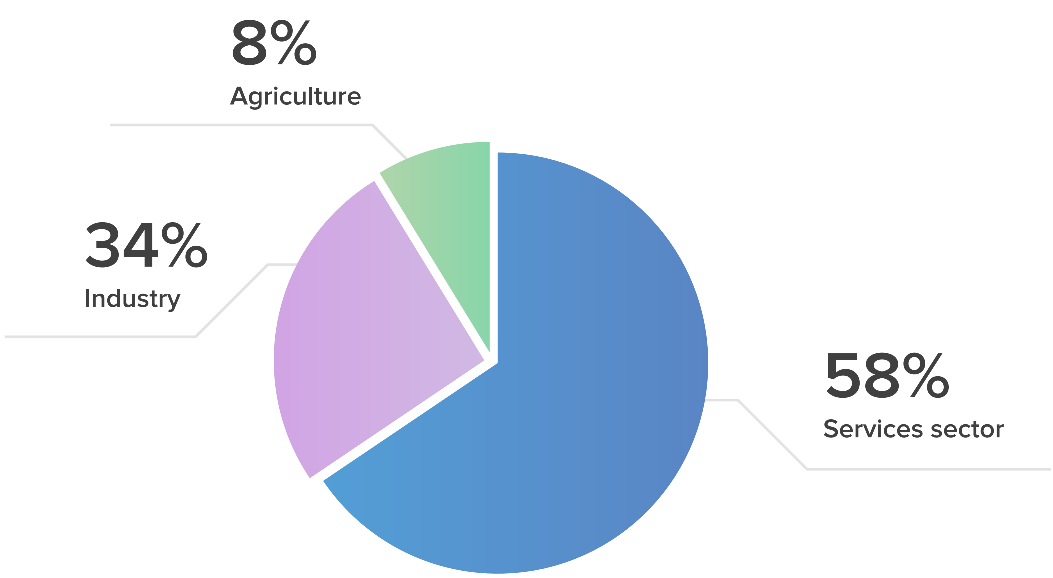
5.5. Southern-Central region

The territory of the Southern-Central region encompasses five districts – Pazardzhik, Plovdiv, Smolyan, Haskovo, and Kardzhali. The region's area represents **almost a quarter of the country's territory.** The population has been gradually decreasing and currently comprises **20% of the total population of Bulgaria** (Eurostat, 2017). **The regional capital is Plovdiv.**

Socio-economic profile

The region contributes **14,2% of Bulgaria's gross domestic product** (GDP), ranking **second after the South-Western region**. In the last five years, there has been **a positive trend of decline in the unemployment rate in the region.** Since 2008, the employment rate in the region has been steadily rising, too (Eurostat, 2017), but is still slightly below the average national figures. The only province in the region which demonstrated an **unemployment rate lower than the national average was Plovdiv** (5,8%). Elsewhere, it was 8,5% (Haskovo), 11,5% (Kardzhali), 10,9% (Pazardzhik), and 11,9% (Smolyan). However, the disproportions in the development trends of municipalities are substantial.

SECTOR CONTRIBUTION TO GROSS VALUE ADDED IN %, SOUTHERN-CENTRAL REGION



GRAPH 24: Sector contribution to Gross Value Added in %, Southern-Central region

As regards the occupational structure, the largest category of persons registered as unemployed at the end of June 2017 remained the group **without any qualifications or special skills (59%)**, followed by specialists (18%) and blue-collar workers (23%). The negative effects of the economic crisis resulted in some significant changes to the occupational structure of the registered unemployment. **The share of the unemployed specialists and qualified workers increased, while that of the unemployed persons without qualifications decreased.**

In terms of education, at the end of June 2017, half (51%) of the registered unemployed people in the Southern-Central region had primary or lower level of education, and 39% had secondary education.

The leading industrial **sector is food beverages and tobacco products, followed by the manufacture of basic metals, and the manufacture of rubber and plastic products.** Tourism is one of **the fastest growing sectors** in the region (NSI, 2017).

Employment Agency data shows that the largest number of vacancies available in the Southern-Central region in the first six months of 2017 were in **the processing industry**, standing at 8,722. Furthermore, a total of 1,707 vacancies were made available in agriculture, mostly for farm workers, gardeners, and forestry workers. The vacancies that employers sought to fill through job centres in the region were mostly for **low-skilled labour (89%)**, in line with the profile of the majority of the registered unemployed in the region. As regards the high qualified jobs, the highest demand here is for engineering and technical specialists, professionals in the transport and services sectors, economists and teaching professionals. This opens the opportunity for potential employment of those refugees, who are willing to acquire additional professional qualification and upgrade their skills.

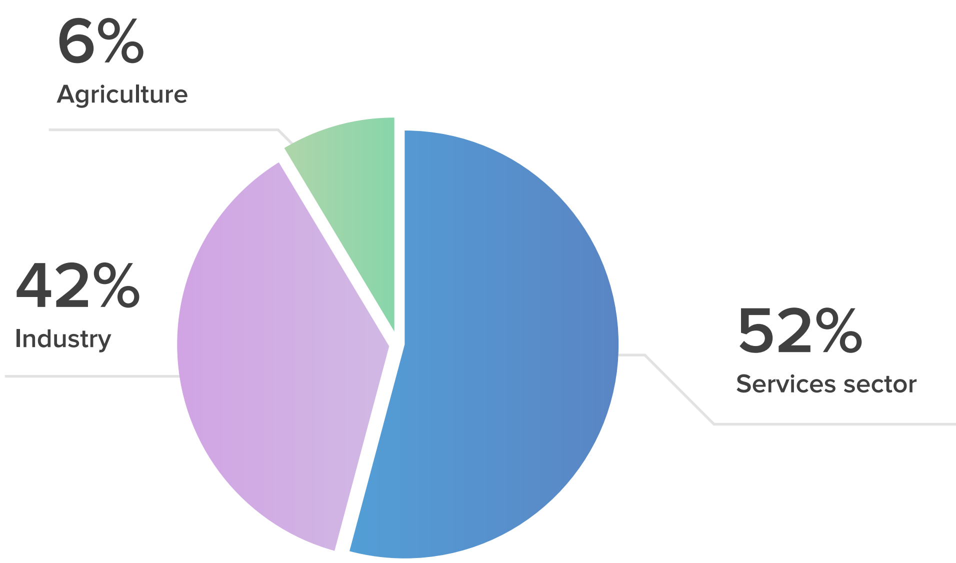
5.6. South-Eastern region

The South-Eastern planning region of Bulgaria is situated in the eastern part of Bulgaria and borders the Black Sea. **It is a medium-sized region that covers almost a quarter of the area of the country** (Eurostat, 2017). The major administrative districts in the South eastern Planning Region are Burgas, Sliven, Yambol and Stara Zagora.

<u>**Socio-economic profile**</u>

The region ranks **third in Bulgaria in terms of GDP at the current market prices** (Eurostat, 2017). Furthermore, it is ranked second in Bulgaria, after the Southern-Central region, in terms of employment growth in the second quarter of 2017. This growth was driven mostly by two provinces, Stara Zagora and Burgas. The regional employment rate is slightly below the average national values. With regard to unemployment, the rate for the region is lower than the **EU average (6,8)** (Eurostat, 2017).

SECTOR CONTRIBUTION TO GROSS VALUE ADDED IN %, SOUTH-EASTERN REGION



GRAPH 25: Sector contribution to Gross Value Added in %, South-Eastern region

As regards the occupational structure of the registered unemployed on an average monthly basis, the largest category in the first six months of 2017 remained those **without any qualifications or specialisation (64,1%)**, followed by blue-collar workers (18,8%) and specialists (17,1%).

The leading sectors among the medium-high and medium-low tech economic activities in this region are the production of metal, transport equipment and rubber/plastics (NSI, 2017). More concretely, according to a study published by the Ministry of Economy on regional specialisation, the following sectors should be highlighted: **production of automobiles and transport equipment in Burgas, machinery and equipment** in Sliven and Yambol. In addition, there is a high concentration of **production of basic metals and fabricated metal products, of electrical equipment, of rubber/plastics products and of machinery/equipment in Stara Zagora.**

In the first six months of 2017, the employers in the region mostly sought professionals in the sectors of tourism, including valets, restaurant and bar staff, cooks, receptionists, sales assistants, seasonal workers in the agricultural sector and the canning industry, teachers, tailors and staff for the clothing industry, machine operators, workers in industry and construction, etc.

According to the Employment Agency data about the South-Eastern region, a total of 23,862 vacancies were advertised in the **real economy** from January to June 2017. The largest number of job openings were in hospitality and restaurants (7,037); the processing industry (4,724) and trade (3,284).

5.7. Overall refugee employment perspectives per regions

In consonance with the Eurostat regional yearbook (2018),[33] Bulgaria is part of the countries where a large majority of the regions reported an overall improvement in economic indicators. The lowest levels of average GDP per capita in Europe were recorded in three of the Bulgarian regions — North-Western, Northern-Central, Southern-Central. The GDP per capita in 5 of the 6 regions in Bulgaria grew at a faster pace than the EU-28 average. On the other hand, significant regional and intra-regional disparities have been observed, which will be eventually reduced due to the new territorial distribution at the beginning of 2019.

The ageing population and the diminishing share of young people on the labour market (see the age dependency ratio on p. 43 remain a problem for each one of the regions. Furthermore, all of the regions are experiencing a lack of personnel for openings mainly in the industry and in the service sector.

The largest category of people registered as unemployed in each one of the regions remained the group without any qualifications or special skills. At the same time the majority of vacancies that employers sought to fill through job centres require people with various specific skills at different levels (technical, management, soft skills). Due to the labour market shortages and skills mismatch, employers are ready to employ low skilled workers and invest in their training and development.

In all of the described regions, the unemployment rate is consistently higher than both the national average and EU average, except in the South-Western and in the Southern-Central regions. Furthermore, some regions like the North-Western and the North-Eastern ones could be one appropriate opportunity for refugee employment, considering their decreasing population and the need for people with suitable skills. Renewed and lively labour force in sectors like agriculture might be reviving for the performance of these regions, which was also highlighted by the economic experts, researchers, and the employers' associations, who were interviewed in the framework of the current study.

Low employment rates seem to be a particular problem for those with primary or lower education. That fact applies for each one of the regions, therefore, the enhancement of the refugees' qualifications is a must for a sustainable refugee employment.

[33] Eurostat regional yearbook, European Union, 2017

Taking into account the analysed data for the regions, a conclusion can be drawn that there is some economic or demographic potential for refugee employment in most of them due to the similarities in their labour market needs.

Region	Population total	Active population (15-64 years)[34]	% of National GDP (2017)	Unemployment rate (15-64)[35] EU – 6,8[36] BG – 5,5	Employment rate (15-64)[37] BG – 67,9	SME`s % of the country	Foreign direct investments in non-financial enterprises in the region[38]
North-Western	783 909	268 600	6,8%	11,6	59,2	7,3	512 084.1
Northern-Central	815 441	325 600	8%	7	65,2	9	981 830.7
North-Eastern	944 458	402 200	11%	8,6	66,0	13,4	2 359 757.1
South-Western	2 121 185	1 020 800	48%	2,8	74,0	38,6	14 238 769.4
Southern-Central	1 436 261	618 600	14,2%	4,2	66,0	17,3	2 568 711.8
South-Eastern	1 052 575	437 600	12,2%	5,6	67,0	14,4	2 847 711.8

TABLE 4: Regional statistic indicators overview

[34] NSI, 2018, second quater
[35] NSI, 2018, second quater
[36] Eurostat, June 2018
[37] NSI, 2018, second quater
[38] NSI, 2016 (thousand euro)

VI. ECONOMIC HUBS IN BULGARIA

This chapter focuses on the economic hub centres which are not defined by their administrative and territorial division but are based solely on natural economic processes. According to the definition of the Institute for Market Economics (IME) these are the "economic cores" which are characterized with a significant daily labour migration from the surrounding municipalities, a concentration of employed people and generate a relatively large share of the GDP.

According to NUTS-2, Bulgaria is divided into 6 regions however this is not the case with the economic hubs that expand naturally across regions and form conglomerates that can be divided into three specific groups:

- ***Large economic hubs*** which are characterized by a well-developed economy with one city in its core and a large periphery around it, e.g. Sofia and Plovdiv;
- ***Small economic hubs***, which are characterized by a well-developed economy with one city in its core and a limited periphery around it, e.g. Varna and Burgas;
- ***Neighbouring economic hubs*** which are characterized by a developed economy in two or three cities at a close distance between them with a limited periphery, e.g. Gabrovo-Sevlievo, Stara Zagora-Kazanlak-Radnevo, etc.

According to the IME research there are 20 economic hubs which cover 30% of the Bulgarian territory but they are producing more than 86% of the GDP and employ 75% of the economically active population (IME, 2017). That is why the study will focus on the main large, small and neighbouring economic hubs formed in Bulgaria, their economic activity, employment needs and potential for future development in order to identify the main personnel needs of the businesses there, linking them with potential employment opportunities for refugees.

6.1. Large economic hubs

6.1.1. Sofia

To no surprise, the largest economic hub in Bulgaria is formed around the capital of the country – Sofia. With a population of 1,266,295 officially registered citizens (NSI, 2017) and about 1 million people who are commuting on a daily basis and others that are not officially registered in Sofia municipality but actually live in the city (Ministry of Interior, 2017), the unemployment rate in the economic hub is below the national average – only 2,27%. The centre encompasses 18 municipalities and employs a third of the workers in the country. These statistics make the economic hub the largest one in the country. It produces the largest amount of the GDP (40% of Bulgaria's GDP), attracts most of the direct foreign investments (52% of the foreign direct investment were made in the capital city) and has the highest annual average salary (15,658 BGN).

Unemployment rate	Average annual salary	Active economic sectors
2,27%	15,658 BGN	ICT & BPO Retail Manufacturing Life sciences

Source: NSI, 2017, Analysed by CATRO

The city is continuously expanding its business portfolio thanks to its young and educated population and its attractive economic conditions. According to the Sofia Investment Agency (SIA), the main industries with a potential for further development are:

a. Life sciences

Due to the demographic and economic problems that are deepening every year in Europe, this industry will grow exponentially as an answer to the external environmental problems (ageing population, new incurable diseases, etc.). In Bulgaria there are strong traditions in the pharmaceutical production but according to the analysis of the SIA, the life sciences will be one of the leading industries in this economic hub in 5 years' time which will offer a good business environment for tech start-ups and bio/pharmaceutical R&D activities. The personnel needed for this industry will be highly qualified medical, chemical, biological and technical experts.

b. Retail

The retail sector expands on 406 660 m^2 in Sofia accompanied by a growing e-commerce activity (SIA, 2017), and will continue to grow as the capital hosts the population with the main purchasing power and the highest living standards. The leading retailers are Metro Cash&Carry, Kaufland, Fantastico, Lidl and eMAG. These trends will open positions in the sector for low-skilled workers in warehouses and stores, and expert staff that will be responsible for the strategic development and growth.

c. ICT and BPO

As a country with one of the highest average internet connection speeds in Europe, Sofia is the economic hub with the highest number of IT experts per capita compared to any other city in Bulgaria. According to the SIA statistics (2017), more than 25,000 developers are working in the R&D centers in the ICT sector and there is almost the same number of employees in the BPO sector. Some of the major employers in this sector are Sap Labs, VmWare, DXC (previously known as HP), IBM, etc. The sector is growing at a fast pace at which the technologies change and currently there is a huge demand for IT professionals and call center experts with a 2nd language (Spanish, German, Italian, etc.) that the business needs in order to grow steadily.

d. Manufacturing and Logistics

In the suburban parts of Sofia and the neighboring cities like Pernik and Bozhurishte large production bases have been developed, which has entailed the establishment of large logistic parks that support the production companies. The largest producers in the Sofia economic hub are BHTC, Sofia Med, Chipita, Nestle, Stomana Pernik, Sopharma, Coca-Cola Hellenic Bottling Company and more, which currently experience a huge need for employees for different positions and different hierarchical levels in the organisation from machine operators to production managers.

Sofia is a growing economic hub that has a potential for development and a great interest in the direct foreign investments especially in the ICT and BPO sector due to its highly qualified and young population. Currently in the capital 14 office buildings are in construction in order to meet the business needs (SIA, 2018). The economic hub attracts population from the 18 municipalities in the Sofia district but the problem with the lack of skilled workforce is still on the agenda. The companies in the hub have already started initiatives for dual education programmes and blue card procedures for reallocation of experts from countries outside the European Union. The business is here and ready to grow, however the war for talent already started to manifest its negative impact, resulting in the slow pace at which the businesses are growing. Compared to the other economic hubs, Sofia does not have an economic union and an association that aims to combine the efforts of all companies in the region in order to tackle the main issues in the hub. However, in accordance with the number of companies this is not seen as an effective solution.

The interviews held with employers and stakeholders confirmed the main findings from the desk research and the interviewees see a potential for refugee employment in Sofia mainly in the sectors of Manufacturing and Logistics in lower level roles such as machine operators and workers in the warehouse or in the ICT & BPO sector as call center agents.

6.1.2. Plovdiv

Despite the fact that Plovdiv produces nearly five times less compared to Sofia, this is the second largest economic hub in the country. It encompasses 12 municipalities that generate about 10% of the total production in Bulgaria. Plovdiv has a population of 669,796 people but due to the labour migration in the city it reaches a population of 1 million people during the working hours. The economic hub has developed so well due to the good infrastructure and mostly to its location along the Trakia Motorway – A1, which crosses the region.

Unemployment rate

4,7%

Average annual salary

11,116 BGN

Active economic sectors

Manufacturing
Retail
Construction
Logistics and transport

Source: NSI, 2017, Analysed by CATRO

Around the economic hub of Plovdiv and thanks to the good partnership between the private and public bodies, the cluster Trakia Economic Zone (TEZ) was developed in the recent years. It is characterized as the most developed economic project in Bulgaria. Covering an area of 10,700,000 m^2, it encompasses the municipalities of Plovdiv, Asenovgrad, Kuklen, Maritza, Parvomay, Rakovski, Rodopi, Stamboliyski, Kaloyanovo, Haskovo and Burgas.

According to the research of the IME (2017), 52% of the GDP in the economic hub Plovdiv comes from the manufacturing sector, 10% from retail, 10% from construction and 6% from logistics and transport which actually make ¾ of the GDP in the region:

a. Manufacturing

Manufacturing companies in Plovdiv generated revenues exceeding €4 billion and provided jobs to more than 70 000 employees in 2015 (NSI). In economic hub Plovdiv there is a diverse portfolio of production of food, metal, machinery and equipment, paper, beverages, rubber, plastics and chemicals. The biggest companies in the sector are the metallurgical "KCM", the producers of fridges "Liebherr" and of electronic components "Schneider Electric".

b. Retail

This sector has a direct impact on the economy and the labour market in Plovdiv as an active working population with good purchasing power is concentrated there. The main retail brands represented in Bulgaria have their branches in Plovdiv – Kaufland, Metro Cash&Carry, Lidl and some local retail chains that have traditions in the sector.

c. Construction

The manufacturing industry in Plovdiv has a direct impact on all other sectors due the number of companies operating in it and the overall GDP that they produce in the region. That is why one of the well-developed economic sectors in the economic hub Plovdiv is construction, and it is primarily focused on non-residential construction – industrial space development that meets the needs of the manufacturing investors.

d. Logistics and Transport

As a natural consequence, a transport hub was formed around Plovdiv due to the high economic activity in manufacturing. According to NSI (2017), 2,296,600 tons of goods were exported and 3,045,600 tons of resources for the production were imported. The leading companies in this sector are PIMK, "Petko Angelov BG" and the Belgian company Bulgarian Road Trucking.

Again, the main issue that the economic hub has to tackle is the lack of workforce with technical skills and education which was also confirmed by the interviewed employers (almost 30% of all interviewed companies were selected from that region). In order to answer the business needs for people with appropriate technical qualification, TEZ are developing an educational center for technical specialists where the educational programme will include courses on pneumatics, hydraulics, robotics, etc. In order for a refugee to be enrolled in this programme, there is a basic requirement to understand and speak Bulgarian and/or English language. In addition, some of the companies in the economic hub are developing new technologies that will replace the human labour. Robots are currently being used in companies such as the Kaufland logistic base and the Bio fresh production where 1 robot replaces 10 warehouse workers.

6.2. Small economic hubs

6.2.1. Varna

The economic hub of Varna is one of the largest in the country whose economy has considerably grown in the recent years. According to the research of the IME (2017), the economic sectors in Varna are very diversified and include activities such as machine-building, chemical industry, shipbuilding, sea and air transport, tourism, food processing and wine industries. Based on the latest Municipality Development Plan for the period 2014-2020 there are four leading economic sectors – industry, agriculture, transport and logistics and tourism (2013). The industry prevails due to the large production center that is based in the nearest city of Devnya in which 78% of the companies are in the heavy and chemical production – such as Agropolychim, Solvey Sodi and Devnya Cement. Recently the mayor of Varna municipality has signed a cooperation agreement with the municipalities of Devnya, Aksakovo and Beloslav to form the Varna economic zone for innovation and development which plans to develop further the economic activity around Varna (Capital cities: Varna, 2018).

In addition, in the heart of Varna, the municipality, together with the private sector, is forming the Industrial and technology park Varna or the new "Economic Zone of the Island". With a total area of 41,680 m^2 and its strategic geographical location, it provides quick access to water, rail, road and air transport (Capital cities: Varna, 2018).

Unemployment rate	Average annual salary	Active economic sectors
7,3%	**12,021 BGN**	Industry Agriculture Transport and Logistics Tourism

Source: NSI, 2017, Analysed by CATRO

a. Industry

The industry sector is a broad sector in which four clusters can be outlined in Varna: the maritime industry, chemical industry, information and communication technologies (ICT) and food processing industry (fisheries and aquaculture).

The Maritime Industry includes a wider range of activities related to the transport of goods by sea like shipping companies, port operators, freight forwarding, shipbuilding and repair, etc. According to the report of Varna Municipality (Municipality Development Plan 2014-2020, 2013) in the industry are employed more than 8% of the residents of Varna region. The larger enterprises in this specific industry are Bulyard Shipbuilding Industry EAD, Odessos Shipyard Plc., Shipbuilding Machinery AD, MTG Dolphin AD, Construction and Technical Fleet AD Varna.

The chemical and heavy production industry is one of the leading industries in Varna thanks to the production in the heart of the region – the municipality of Devnya, where a number of important heavy industry facilities are based, making it a chemical industry center of national importance. Due to the richness of natural resources in the specific region, the government had been developing the chemical industries for decades and after the changes in the Bulgarian political regime in 1990-1991 most of the factories were privatized by multinational companies. Some of the biggest companies operating in Denya are Solvay Sodi AD, Agropolychim AD, Devnya Cement, Devnya Sugar Plant, Deven AD, Devnya Limestone AD, etc.

Since Varna hosts leading companies that produce knowhow and technologies, the ICT sector is classified as an industry that adds value to the economy. In 2008 the ICT Cluster-Varna was formed as a non-profit association bringing together 11 companies from the ICT sector and several companies from the BPO sector with the main aim to become a regional leader and develop a center for economic competitiveness and knowhow exchange in the Varna region. According to the statistics of the Varna Municipality report (2013), 593 enterprises with staff of 3,716 people in the ICT sector are registered in the municipality of Varna. Due to the steady growth of the center, recently Varna city was chosen to be one of the 30 European digital hubs with the important task to develop the digital sector (Capital cities: Varna, 2018).

Another important economic sector is the Food processing industry and especially its focus on fisheries and aquaculture products which are a natural resource for Varna due to its geographical location. The fishing activity carried out in the Black Sea according to the Varna Municipality report (2013) for 2012 resulted in a total catch of 2,760 tons of different species of fish and mollusks.

b. Agriculture

The largest share of the agriculture sector is held by the grain production, followed by the oil crops and the permanent crops. The prerequisites for the development of grain production on the territory of the Municipality are the favorable natural conditions and the mechanization of the processing and the extraction process. One of the biggest agricultural companies in Bulgaria is based in Varna – Octopod Invest Holding, which employs more than 300 people.

c. Transport and Logistics

The Transport meets the business needs of the companies in the region but also for all Europe as Varna is located on a Pan-European transport corridor N°8. One of the biggest ports in Bulgaria, the second largest international airport after Sofia, is based in the economic hub. Last but not least, there is a well-developed railway system. According to the Varna Municipality report (2013), only the road transport shows a decrease in its activity due to the not so well-developed road system in Northern Bulgaria. In addition, the Storage business is growing due to the need for effective smooth logistic processing of all exported and imported goods in the Varna region. Due to the business need identified back in 2012, the first Logistics park in Varna was opened with an investment of 71 million BGN. The biggest companies in this sector are the shipping company Navibulgar, the Port of Varna and the Varna Airport.

d. Tourism

According to the Varna Municipality report (2013) on the economic profile of Varna, tourism is one of the main priorities and structuring sectors of the economy. Partly because of the seaside, Varna is rich in natural resources such as mineral water springs and in history and historical landmarks. However, the activity in this sector is seasonal and employs personnel only for the active season which in Bulgaria is between May and September. For only 5 months the employers in the tourism sector are struggling to find expert personnel and even employ people from countries such as Ukraine and Moldova. The biggest resorts around Varna, Golden Sands, Sunny Day Co., Saints Constantine and Helena, attracted around 1 million foreign tourists in 2016.

Varna is one of the few economic hubs in the country with positive statistics in terms of the population growth – from 2000 to 2016, there is a 9% increase in the population in the region. However, most of the enterprises are struggling to find prepared workforce for their business needs and employ people without expertise and invest in their professional development. As an economic hub that is still developing, the lack of an active workforce is not such a major problem as in the other hubs in the country.

The developing economic zone of the Island, Varna economic zone for innovation and development, together with Devnya and Beloslav, is chosen to be one of the 30 European digital hubs. Varna will maintain its economic positions and increase its importance among the economic hubs in the country.

Based on the interviews with the companies from this region, it can be concluded that the potential for employment of refugees in this economic hub in which companies are operating mainly in the heavy industry is lower than in other economic hubs. The specific reasons behind are the strict health and safety regulations and the requirements of the General Labour Inspectorate in this high-risk employment field. For this sector there is the minimum requirement of an official document that proves the educational degree of the employee that is attached to their job description which defines the minimum level of education required for the position.

6.2.2. Burgas

Burgas is the second largest city on the Bulgarian Black Sea Coast and the fourth in Bulgaria after Sofia, Plovdiv, and Varna, with a population of 211,033 people. The city attracts in the form of daily commuters about 31% of the employees in Kameno and between 10% and 15% of those in Sozopol, Aytos, Sredets and Ruen (Capital cities: Burgas, 2018). Burgas is still in a position to catch up and develop further compared to the large economic hubs of Sofia and Plovdiv. After the economic crisis in 2008, Burgas showed good results in terms of the unemployment levels with a decreasing percentage from 10% in 2010 to 8,6% (Capital cities: Burgas, 2018). However, two trends are observed in the region: an ageing population and young people migrating to bigger cities and outside Bulgaria.

Unemployment rate	Average annual salary	Active economic sectors
8,6%	11,750 BGN	Industry Transport and Logistics

Source: NSI, 2017, Analysed by CATRO

The main economic activity is concentrated in the city of Burgas where the Industrial zone Burgas (300 ha) is also situated, 80% of the terrains thereof being sold to 18 companies from different industries such as food production, manufacturing, automotive, etc. (Capital cities: Burgas, 2018). This information has been confirmed and enriched with some more details during an interview with representatives of the Industrial Zone Burgas. The Zone plans to utilize the entire infrastructure of the area and attract new investors in the field of production. The management is about to complete and put into operation another 7 new projects. Due to their close contact with the companies in the region and to the regular support e.g. by mediation in finding employees, they have observations about their main recruitment practices and attitudes. Although the majority of the companies are suffering from labour shortages and are competing to attract employees from other cities, the experts from Industrial Zone Burgas are rather skeptical about refugee employment in the zone. The main reason pointed out refers to refugees' lack of language skills and the uncertainty regarding the refugees' length of stay.

According to the official statistics from Burgas Municipality, the region provides 5,22% of the GDP of the country under the following leading sectors:

a. Transport and Logistics sector including the Port of Burgas, the Oil Harbour and the Fish Port, the Ports of Sozopol, Nessebar and Tsarevo; the Burgas Airport, incl. the Cargo Terminal; the Enlarged Railway Stations in Burgas and Karnobat; the large warehouse areas located mainly in the Port area and near the Highway Burgas-Karnobat; and the Burgas Free Zone.

b. The Industry characterized with a multi-branch specificity is a leading sector in the economic structure of Burgas. Dark and light oil-products that provide 70% of the industrial production in the region are produced there (Lukoil Neftochim Burgas); food and fish-processing industry with 12,2% production share of the fish production and export which also attracted 4 million BGN of investment in the new base for Chernomorski Ribolov Burgas AD; chemical fibres, plastics and other chemistry products; shipbuilding, airconditioning and waste-treatment plants, etc.

Although the Burgas economic hub is highly industrialized, the tourism, agriculture and transport sectors are also well-developed in the region.

The lack of skilled workforce is an issue. Some companies such as Ding Fish employ people without any experience and invest in their professional development until they start to return the investment in their training. In the company Slavyanka the production capacity in full is for 6 working production lines but due to the lack of employees – the company operates only with 3 – at half of their production potential. Atlantic AD has made an investment of 4 million BGN in 2014 but currently they are growing at a steady pace as the lack of qualified personnel hampers their plans for faster development. Consequently, there is great potential for **refugee employment in the food and fish-processing industry**, as most of the companies require only manual skills and motivation for work.

6.3. Neighboring economic hubs

6.3.1. Gabrovo-Sevlievo

Gabrovo-Sevlievo is one of the well-developed economic hubs in Bulgaria with a rich experience and traditions in industry development. The average annual salary in the industry ranks fifth just after Sofia-city, Sofia district, Burgas and Varna, even before Plovdiv and compared with the past few years the salaries in the region have increased by 18,5% (NSI, 2017). The leading sub-sector is machine-building and instrument production, which provide 1/3 of the open working places (Capital cities: Gabrovo, 2018). In Gabrovo there are well-prepared technicians, machine operators and engineers, but the need for more qualified employees is present, and the companies are trying to attract employees from other cities.

Unemployment rate	Average annual salary	Active economic sectors
5,1%	**10,800 BGN**	Industry

Source: NSI, 2017, Analysed by CATRO

In Sevlievo there are more than 1200 actively operating enterprises, and in Gabrovo more than 3200 (NSI, 2017). A leading sector in Sevlievo is the processing industry similarly to Gabrovo (Capital cities: Gabrovo, 2018) – 74% of the companies operate in this sector. The developed products are sanitary fittings and ceramics, electric equipment, woodworking and furniture industry, textiles, transport and logistics, etc.

The main investors in the economic hub Gabrovo-Sevlievo are Ideal Standard Vidima, ABB, Zalli tailoring factory, Gabinvest, the manufacturer of parquet Hamberger Bulgaria and the manufacturer of cables and wires Emka JSC.

The demographic forecasts for both cities are not optimistic as according to NSI (2017) for 100 people who are going to retire, only 48 young people are expected to enter the labour market (negative age ratio). The birth-rate is very low and there is a tendency of increasing difficulty for the technical schools and the Technical University of Gabrovo to attract youngsters to study and live in the region. Furthermore, the companies interviewed from this hub, have highlighted the efforts they are making to keep the young people in the region, such as internal career development, more attractive salaries and social benefits, as well as additional annual leave days, to enable the combination of work with studies for the younger employees.

6.3.2. Stara Zagora-Kazanlak-Radnevo

Stara Zagora is one of the growing economic hubs together with Kazanlak and Radnevo which is following the model of Trakia Economic Zone. An official contract was signed in the beginning of 2018 between the local municipality and the National company industrial zones EAD for the establishment of the new Zagore Industrial Zone. Just like in Plovdiv, a main transport system is passing through Stara Zagora and the city is a road intersection point of four Pan-European corridors and has a well-developed rail network. The active labour force according to recent data is 134,000 people out of a population of 158,000 people (Ready for Business, 2018), making it the economic hub with one of the lowest unemployment rates in the country – 2,9% (NSI, 2017). In addition, Stara Zagora has the highest average annual salary after Sofia.

Unemployment rate

2,9%

Average annual salary

13,140 BGN

Active economic sectors

Manufacturing
Mining industry
Business services

Source: NSI, 2017, Analysed by CATRO

Recently, Stara Zagora has been awarded the 1st place by fDi Magazine (Financial Times) for European cities and regions of the future 2018/2019 in the category Small Regions of the Future – cost effectiveness as the most promising investment destination.

The three leading economic sectors by value added in the local economy structure are Manufacturing (27,6%), Mining industry (21,7%) and Business services (20,6%) which amount to almost ¾ of the local GDP.

a. Manufacturing

The industry and specifically manufacturing is a leading economic sector which offers 32 000 jobs or 32% of all employed in Stara Zagora district. In the sector, most people are employed in the production of metals and metal parts (34,5%), followed by food and beverage industries (13%) and machinery and equipment production (12,1%) (Ready for Business, 2018). The second largest employer in Bulgaria that operates in this sector, and is based in Kazanlak, is the manufacturer of firearms and military equipment Arsenal. Other large companies in the region are the brewery of Zagorka, the sausage manufacturer Ken, the producer of chicken products Gradus and the producer of vegetable oil Biser Oliva.

b. Mining Industry

Rich in natural resources, the Stara Zagora region has a large lignite coal basin located near Radnevo in which the largest energy complex in South Eastern Europe is located – the mining and power plant complex Maritza-Iztok. It is one of the largest employers in Bulgaria, with all its subsidiaries (Maritza Iztok 1, 2 & 3) employing about 25,000 people (7,400 directly and about 20,000 indirectly). The average salary is among the highest in Bulgaria due to the rare specialists working in the complex and to the heavy workload of the workers in the mines and the thermal power plants.

c. Business services

The business services (e.g. accounting; construction; transport and logistics; etc.) are supporting the operations of the enterprises in the region and contribute to the overall growth of the economy in Zagore Industrial Zone. One of the subsectors is the construction sector that provides jobs for 27% of the employees in business services in 2015 (Ready for Business, 2018). The second leading subsector is the transport and logistics due to the excellent transport links in the region this sector is developing at a fast pace by employing 22% of people in the local business sector.

Like in the other economic hubs, the employment levels are continuously rising but the lack of qualified people to meet the business needs is becoming more and more evident. Thus, in 2015, the number of vacancies in the municipality is significantly higher than the number of people entering the labour market, leading to a trend of a growing gap in 2016 (Capital cities: Stara Zagora, 2018). One of the biggest challenges reported by companies in the zone is the lack of engineers and middle management which leads to a gradual increase of salaries in order to attract more people. According to the IME (2017), Stara Zagora has the potential to develop the ICT and outsourcing sector, following the example of Plovdiv, which will be an important step towards the retention of the highly qualified young people.

6.4. Main trends and potential for refugee employment

The main trends observed during the desk research and the analysis of the economic hubs are the lack of skilled workforce, the ageing population, the migration of the population to the capital city and outside Bulgaria, and the most important fact – the lack of a well-developed infrastructure of the republic road system in Northern Bulgaria which has a direct impact on the economic development north of the Stara Planina Mountain.

The skills mismatch and the labour shortages are a major problem for the enterprises in the economic hubs, as they have the potential to grow but due to the lack of qualified and skilled workforce, they cannot realise their business plans and their expansion is threatened. Some of the companies across all economic hubs have implemented the dual education system by preparing employees directly at school for their specific business requirements which is mainly observed in the manufacturing sector where technicians, machine operators, and engineers are the positions in the greatest demand.

Emigration is a trend observed in the last 20 years which has emerged due to the wish of people for a higher living standard and opportunities for development. According to recent statistics, about 3,000,000 Bulgarian people live outside the country which is almost 1/3 of the overall population of Bulgaria (NSI, 2017). The economic hubs are trying to attract the people from Western European countries back to Bulgaria and to the capital by increasing the salaries, providing better social packages and working conditions. The good news is that the municipalities are also working in that direction by realizing EU projects that are developing the city infrastructure, the social and cultural life that improve the overall quality of life of their citizens.

Another observed trend is that the well-developed economic hubs are mainly concentrated in Southern Bulgaria owing to the developed road systems. The Northern Bulgaria road systems are under construction which is one of the main reasons why those economies are not well-developed. Some of the future government projects point in the direction of improving the communications in Northern Bulgaria with the tunnel Shipka that will connect Gabrovo and Stara Zagora and the Hemus motorway that will connect Sofia with Varna. Both projects are planned with a deadline beyond 2021.

The employment opportunities for refugees are vast due to the high labour market demand, observed as a main trend in all economic hubs. However, there are some challenges which should be noted. Firstly, the refugees' skills and qualifications have to be further developed in order to respond to the business needs. Secondly, there is no representative data about the readiness of the enterprises to employ refugees in the 6 hubs. Still, the conducted interviews with 15 large employers mainly from 5 of the discussed hubs – Sofia, Plovdiv, Varna, Burgas, and Zagore, give a clear indication that even if most of them have not had any experience with hiring refugees yet, there is an overall willingness and readiness to make some efforts in that direction and explore this additional opportunity for dealing with the labour shortage on the market. As one of the employers from the production industry in Varna zone admitted: "Nowadays we cannot afford to say "No" to any potential employment opportunity which will help our business to grow". Refugees do offer such a new opportunity which is worth taking, especially keeping in mind the fact that employment would mean sustainability and security for those people, beginning of a new life and a source of economic independence which is key to their successful integration.

VII. CONCLUSIONS AND RECOMMENDATIONS

On the basis of the above analysis, conclusions and recommendations about the employment potential of refugees in the economic context in Bulgaria are drawn, also considering the current and future needs on the labour market.

The conclusions and recommendations are summarized according to the main identified challenges and opportunities for refugee integration on the labour market in Bulgaria. They address the responsible decision makers, as well as the communication and cooperation between them.

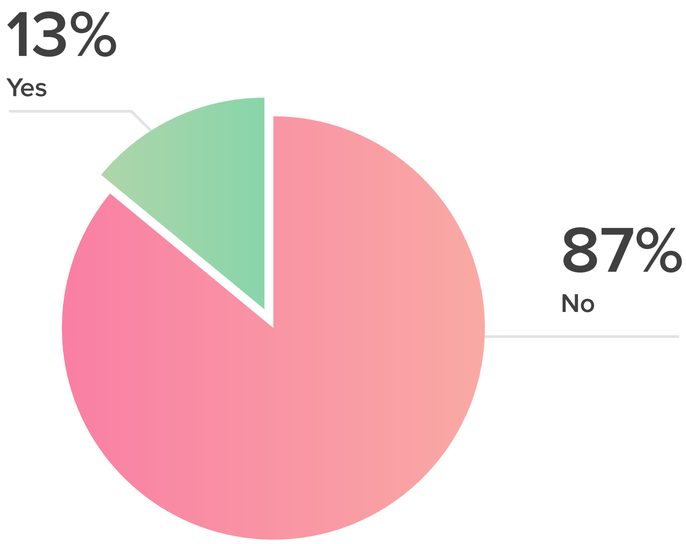
The economic development in Bulgaria has been following an upward trend in the last years and many sectors still have the potential to grow, provided that there is enough and appropriately skilled workforce. However, current indicators and future forecasts show that the problems with the skills shortage and the skills mismatches on the labour market will intensify, as the employment growth has already reached its peak (according to the most recent data for the 3rd quarter in 2018). Therefore, targeted measures should be taken at individual, organisational, and governmental levels. At the same time, there has been a decreasing number of asylum seekers and refugees since 2016 in Bulgaria. They have their specific characteristics which require additional support and measures to enable their successful labour market integration.

7.1. Access to the labour market

Based on the current research, employers still have limited experience with hiring refugees but have an overall willingness to make the first step in that direction. However, one of the first challenges they face is to reach out to potential candidates among the refugees as they do not have direct access to them.

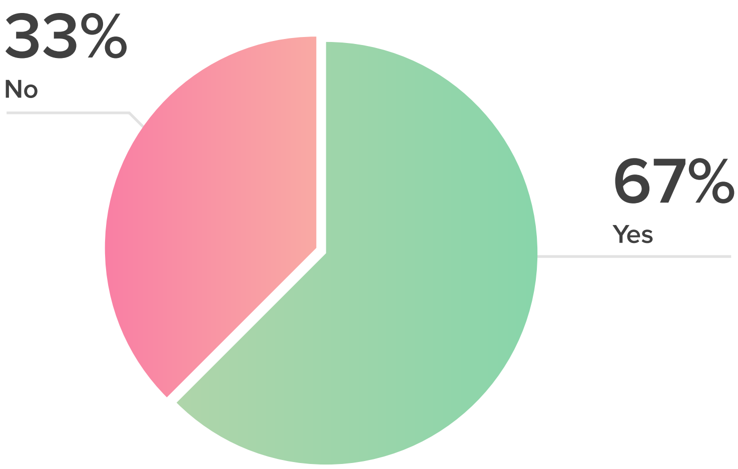
INTERVIEWED EMPLOYERS' PREVIOUS EXPERIENCE WITH HIRING REFUGEES

Do you have previous experience in hiring refugee/migrants?



GRAPH 26: Interviewed employers' previous experience with hiring refugees

INTERVIEWED EMPLOYERS' WILLINGNESS TO HIRE REFUGEES



GRAPH 27: Interviewed employers' willingness to hire refugees

In this regard the previous report by Stana Iliev recommended the establishment of a focal point which should serve as a mediator between employers, NGOs, SAR and the Employment Agency. Based on the experience of CATRO Bulgaria from the last 1,5 years during which it is playing the role of an informal mediator and consultant in this job matching process, it has become obvious that there are several directions in which this process can be optimized, including some technological improvements:

TABLE 5: Proposed measures for refugees' access to the labour market

Proposed Measure	Responsible Stakeholders
1. **Announcement of the current anonymized profiles** with main skills, educational and professional background per region (Sofia, Harmanli). This will provide the employers with the necessary information before approaching the relevant institutions and requesting their job matching services. For that purpose, the existing online platforms such as the official website of the Employment Agency, or more specific ones such as: https://www.refugeeocean.com/ created by a refugee in Bulgaria, could be used.	Employment Agency State Agency for Refugees (SAR) NGOs like the Bulgarian Council on Refugees and Migrants, Caritas Sofia, the Bulgarian Red Cross, the Council of Refugee Women, etc.
2. **Registration** of employers on the above-mentioned platforms to present themselves and the employment opportunities they offer, as well as to get informed about the professional qualification and work experience of refugees.	Employers

3. A single contact point for employers in the State Agency for Refugees who is responsible for employment issues and who is familiar with the profiles of the job seeking refugees in all registration centers, including those outside Sofia. This would make the communication between SAR and the employers faster and more effective, which will have a positive impact for the refugees who might be able to find a job at an early stage of their stay in the reception facility. This may additionally positively influence their attitudes towards considering Bulgaria as a potential country to stay and settle down in with their families.	State Agency for Refugees
4. Awareness raising campaigns targeting employers from different economic hubs in Bulgaria. The main aim should be to provide some legal/administrative information about the employment of refugees, the national support programmes (as the Programme for training and employment of refugees, or OP Human Resource Development), and to present some success stories to attract more employers, and to help them overcome the initial resistance and prejudices.	State Agency for Refugees NGOs like the Bulgarian Council on Refugees and Migrants, Caritas Sofia, the Bulgarian Red Cross, the Council of Refugee Women, etc. UNHCR HR consultancy companies with expertise in the field Employers' associations, Chambers of Commerce
5. Providing internal support and guidance to the refugees about potential employment opportunities, registration in the local Labour Bureaus as job-seekers in order to get access to the different support measures for employment and become recognizable as a potential target group by the employers.	State Agency for Refugees NGOs like Caritas Sofia, the Bulgarian Red Cross, Council of Refugee Women, etc. Mediators and career counsellors in the Labour Bureaus
6. Organisation of regular job fairs in the two main cities with registration and reception centres for refugees (Sofia and Harmanli) involving more companies from the nearby located economic hubs such as Plovdiv, Stara Zagora, etc.	State Agency for Refugees NGOs like the Bulgarian Council on Refugees and Migrants, Caritas Sofia, the Bulgarian Red Cross, etc. HR consultancy companies with expertise in the field Employers as participants

7. More flexible and modernized labour legislation which responds to the needs of the business for more flexible forms of working, including for third country nationals, and less administrative burden for the employers.	Ministry of Labour and Social Policy Employment Agency Employers' and Business Associations

7.2. Skills assessment and matching

As already discussed in the labour market overview section of the report, in the next decade the greatest demand for people will target those with an upper secondary level of education (especially vocational education). Considering the current relatively low educational profile of the refugees in Bulgaria, this would require some targeted measures for further or re-qualification, and for upgrading their skills and competences. The proposed measures in this regard are as follows:

TABLE 6: Proposed measures for refugees' skills assessment and matching

Proposed Measure	Responsible Stakeholders
1. More flexible forms of assessment and validation of qualification and skills for asylum seekers and refugees, considering their specific situation which might require legislation changes involving the relevant stakeholders such as Ministry of Foreign Affairs, Ministry of Labour and Social Policy and Ministry of Education and Science. This would also facilitate the link to further educational and qualification programmes all of which currently require a certain level of education and an official document for the proof thereof.	Ministry of Foreign Affairs Ministry of Education and Science Ministry of Labour and Social Policy National Agency for Vocational Education and Training Employment Agency Employers' and Business Associations Trade Unions
2. Enhancing the dual education forms to more industrial sectors involving more companies as this will attract more young people to various modern vocational qualifications, including here the refugees at a younger age who are enrolled in the educational system in Bulgaria.	Ministry of Education and Science Ministry of Labour and Social Affairs National Agency for Vocational Education and Training Employers' associations Secondary vocational schools

3. More flexibility among employers in terms of recognizing previous experience and qualifications – more practical tests, cognitive intelligence tests, behavioural interviews to assess level of motivation and relevant soft skills, assessment centers adapted to the specifics of the refugees as a target group. Currently, still 50% of the interviewed employers insist on administrative documents/formal qualification proofs, which is partly due to legal, and partly to internal corporate requirements.	Employers' associations Employers Recruitment and Consultancy Agencies
4. Improved provision of language training before the start of the employment All of the interviewed employers and stakeholders highlighted the lack of language skills as the main barrier to employment after identifying the appropriate candidates. Therefore, regular language courses, provided by SAR and other responsible institutions, as well as additionally by NGOs should be provided to refugees as soon as possible after the start of their application procedure. Even if a considerable number of employers is willing to support further language training on the job, an initial minimum level is a basic requirement even for the low-qualified jobs. Using the digital technologies nowadays, an application for easy language learning could be created using the available funds for refugee integration, involving young people in technology Start-ups and pedagogy/philology students as volunteers.	State Agency for Refugees Ministry of Education and Science Employment Agency NGOs like Caritas Sofia, the Bulgarian Red Cross, etc. Start-ups for easy language learning apps Pedagogy/philology students as volunteers
5. Support programmes for employers which are covering the costs for additional language training on the job, for salaries and social security costs of refugees and the appointed mentors, as the refugee mentor plays a very important role for his/her adaptation to the company culture and climate.	Ministry of Labour and Social Policy Employment Agency State Agency for Refugees

6. Greater willingness on the part of the employers to invest more time and efforts in the refugee integration in the company – not only in on-the-job training, mentoring and coaching, but also in additional support services such as accommodation, transport, etc.	Employers HR Consultancy agencies and NGOs
7. More awareness raising and motivation of the refugees to explore opportunities for employment and settling down in Bulgaria, which would increase their willingness to invest time and efforts to go through additional qualification programmes, language training, etc. in order to get more attractive employment opportunities.	Refugees State Agency for Refugees NGOs like Caritas Sofia, the Bulgarian Red Cross, the Council of Refugee Women, etc.

7.3. Sustainable integration on the labour market

The sustainable integration of refugees on the Bulgarian labour market will be achieved when a critical number of companies (who are opinion leaders in leading economic sectors) have had a positive experience with employing refugees and act as pioneers popularizing their good practices, and raising awareness of the importance of diversity at the workplace which is proven to have a positive correlation with business performance.

TABLE 7: Proposed measures for refugees' sustainable integration on the labour market

Proposed Measure	Responsible Stakeholders
1. Continuous learning and skills upgrading to adapt to the steadily changing needs of the labour market, which is valid for all employees, even more so for refugees, which initial educational level is still rather low. This process should be accompanied by ongoing and targeted mentoring and coaching practices, in order to set concrete goals, clarify expectations, maintain a high level of motivation, give regular feedback for continuous improvement, etc.	Refugees Employers NGOs and other training providers

2. Intercultural communication trainings/ workshops at the workplace and informal activities to increase the level of tolerance and broaden the horizons towards people with different cultural religious and ethnic background.	Employers Consulting Agencies as training providers
3. Dissemination of success stories for refugee employment to raise awareness among the broader public including awarding companies with welcoming and inclusive organisational culture, cherishing diversity and acting as pioneers in the field of successful refugee integration at the workplace.	Employers UNHCR
4. Work and residence permits for rejected asylum seekers who have been able to successfully integrate into the labour market and have companies willing to provide continuous employment.	Ministry of Labour and Social Policy Ministry of Interior
5. Identification of municipalities willing to accommodate refugees with relevant skills to the economic needs of the local businesses.	Council of Ministers State Agency for Refugees National Association of Municipalities in the Republic of Bulgaria UNHCR

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